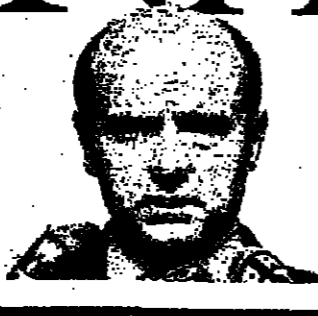
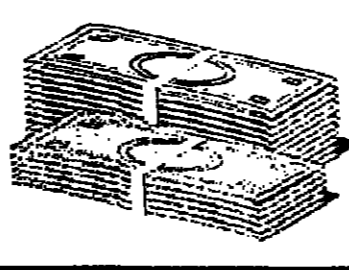


FINANCIAL TIMES

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World Business Newspaper <http://www.FT.com>

MONDAY OCTOBER 14 1996

VW awaits court ruling in row with General Motors

The bitter dispute between General Motors of the US and Volkswagen of Germany is set to flare this week when a court in Detroit rules on whether GM has a valid case against Volkswagen for alleged industrial espionage. The dispute stems from VW's recruitment in 1993 of José Ignacio López (left), GM's head of worldwide purchasing. In a complex set of legal actions, GM claimed Mr López and several other GM employees who moved with him took confidential material relating to components purchasing and new car plants. VW has denied the charges. Page 18

Hilton executives quit: Three top Hilton Hotels executives, including the group's former president, resigned amid admissions of "mistakes" over a \$250,000 grant paid during negotiations to open a floating casino in Kansas City, Missouri. Page 19

Boost for Mars in ice cream battle: Attempts by Mars to weaken Unilever's leading position in the £15bn (\$23bn) a year European ice cream market will be boosted this week when Brussels renews its attack on a Unilever selling practice in Ireland. Page 18

Sales of city car likely to disappoint: Sales of the Smart, a two-seat city car being developed by German carmaker Mercedes-Benz and Swiss watchmaker SMH, will be less than half the level projected by its backers, research shows. Page 19

Brazil plans \$6.5bn cuts: Brazilian plans to cut public spending by \$6.5bn next year were welcomed as evidence that ministers were responding to concern over the budget deficit. Page 6

Slow for Austria's Social Democrats: Austria's ruling Social Democrats suffered their worst election results in ballots for the European parliament and Vienna city council. Page 18

Taliban hit by heavy fighting: Fighters loyal to Afghanistan's deposed government hit Taliban Islamic rebels with a series of attacks in heavy fighting north of the capital. The Taliban controls two thirds of Afghanistan, where it has imposed its strict interpretation of Islamic law. Page 17

Greek-Cypriot shot dead: Turkish-Cypriot security forces shot dead a Greek-Cypriot fisherman in the Turkish-occupied northern sector, amid heightened tensions in the divided Mediterranean island. Page 2

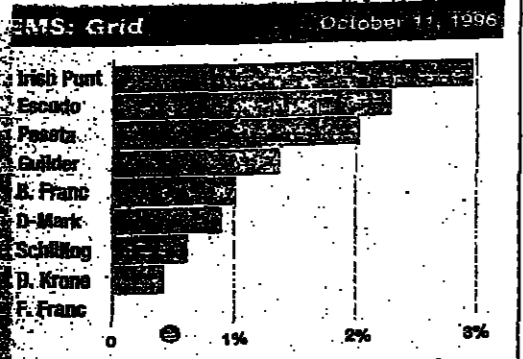
Burundi sanctions prompt talks: Economic sanctions by East African countries neighbouring Burundi appear to have brought the country's Tutsi leader, Major Pierre Buyoya, to talks with the majority Hutu group. Page 5

to clear winner in New Zealand poll: Talks between New Zealand's four main political parties began after the weekend's election aimed to throw up a clear winner but favoured the formation of a centre-left government. Page 4; Observer, Page 17

Hill takes world championship: Britain's Damon Hill took the Formula One world drivers' championship when he won the Japanese grand prix in a Williams Renault. His only rival, teammate Jacques Villeneuve, failed to finish. Page 12; Observer, Page 17; Brands Hatch sets sights on 50% profits rise, Page 20

Le Crocodile' Lacoste dies: René Lacoste, the French tennis champion who transformed his nickname "Le Crocodile" into a status symbol on sports shirts around the world, died aged 82. He was the world's No. 1 player in 1926 and 1927. Observer, Page 17

European Monetary System: The continued strength of the Irish punt, and a fall in the French franc towards the end of last week, saw the member currencies of the EMS all further apart. The punt's spread over the French franc was 2.87 per cent by the close of trading in Europe on Friday. Currencies, page 27



The chart shows the member currencies of the exchange rate mechanism measured against the weakest currency in the system. Most of the currencies are permitted to fluctuate within 15 per cent of agreed central rates against the other members of the mechanism. The exceptions are the D-Mark and the guilder which move in a 2.25 per cent band.

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EUR 100	Euro	1.00	Netherlands	1.00	Slovenian P	SP100
INR 100	India	47.50	Nigeria	N120.00	Spain	PT200
JPY 100	Japan	160.00	Norway	NOK22.00	Sweden	SKR20
KWD 100	Kuwait	3.00	Oman	OMR1.00	Switzerland	CHF70
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TRY 100	Turkey	16.00	Portugal	Escudo	Escudo	Escudo
UAH 100	Ukraine	16.00	Portugal	Escudo	Escudo	Escudo
UZS 100	Uzbekistan	16.00	Portugal	Escudo	Escudo	Escudo

Markka's entry increases pressure on Italian lira

Euro plan gets boost as Finland joins ERM

By Lionel Barber in Brussels and Hugh Carnegie in Stockholm

Finland will today formally join the European Union's exchange rate mechanism, strengthening momentum towards the launch of the planned European single currency - the euro - in 1999. The Finnish decision is the latest signal that EU member states are making strong efforts, including unprecedented budget cuts, to meet the Maastricht treaty targets for economic and monetary union.

The terms of entry for the Finnish markka into the ERM currency grid - at 3.04 to the German D-Mark and 5.80661 to the Ecu, the European basket currency - were agreed at a five-hour meeting of the EU's monetary committee in Brussels on Saturday.

Finland's decision puts the spotlight on the Italian government, which has expressed interest over the past 12 months in bringing the lira back into the ERM, following its ejection along with the pound in the September 1992 currency crisis.

Informal talks on a satisfactory lira parity with the D-Mark are expected to begin soon, possibly today at a meeting of EU finance ministers in Luxembourg.

The weekend agreement ends a four-year float for the markka and marks a bold break with neighbouring Sweden, which has adopted a wait-and-see policy toward the ERM and monetary union.

Despite some predictions in the financial markets that the Finnish move could put upward pressure on Swedish interest rates, Mr Erik Asbrink, Sweden's finance minister, said Stockholm's view was that the time was not right to join the ERM. Mr Asbrink reiterated Swe-

Finland to prove its euro-worthiness... Page 2
Editorial Comment: Why Britain should say Yes to Euro... Page 19



Israeli soldiers check the papers of an Arab from the West Bank after the government eased restrictions on Palestinians entering Israel for business purposes

Palestinians say peace talks 'going nowhere'

By Judy Dempsey in Jerusalem

The chief Palestinian negotiator in peace talks with Israel yesterday said Israel was reopening agreements, a move that could jeopardise the peace process.

Mr Saeb Erekat, head of the Palestinian delegation, made the accusation - denied by Israel - as talks due to resume today in the Egyptian Red Sea resort of Taba were postponed.

He said the negotiations were "going nowhere", as Israel sought to change the long-delayed redeployment of Israeli troops from the West Bank town of Hebron.

Mr Erekat said the Israeli delegation wanted to create a buffer zone between Hebron's centre and surroundings, redraw certain zones to reduce Palestinian control and limit Palestinian forces in the area. Israeli officials deny demanding any changes to the agreement. They insisted yes-

terday they only wanted to improve security for the 415 Jewish settlers in the 130,000-strong Arab town.

The stalemate reflects fundamental differences, with Palestinians arguing that any change in the terms of the Hebron redeployment would undermine, if not destroy, the Israeli-Palestinian Interim Agreement signed in Washington last year.

It also reflects mounting concern in Egypt and Jordan, which have been openly critical, of Mr Benjamin Netanyahu, the Israeli prime minister, particularly over his unwillingness to implement the peace accords since his election last May.

Mr Ezer Weizman, the Israeli president, will today hold talks with Mr Hosni Mubarak.

Egypt's president, Mr Weizman, seen as playing a pivotal mediating role between Mr Netanyahu's Likud-led coalition and the Arab states, plans to meet King Hussein of Jordan this month.

Mr Weizman's role as president is largely ceremonial, but in recent months he has adopted a higher political profile, offering, for example, to meet Mr Yasser Arafat, president of the Palestinian Authority, even before Mr Netanyahu had agreed to meet him.

Israeli officials yesterday insisted Mr Weizman was not setting out to undermine the Netanyahu government. "He has been given the go-ahead by Netanyahu to meet Arafat, and travel to Egypt and Jordan

Mexico scales back move for energy industry sell-off

By Daniel Dombey in Mexico City

The Mexican government has abandoned plans for wholesale privatisation of much of the petrochemicals industry in the face of intense political opposition. The sale had been thought likely to net \$1.5bn.

The move is an embarrassment for President Ernesto Zedillo whose attempts at state sell-offs have been damaged by political tensions arising from Mexico's economic problems and by suspicion and resentment about the previous government's privatisations. More than \$120m of uncertain origin has been discovered in accounts held by Mr Raúl Salinas, brother of former President Carlos Salinas.

The government had planned to sell majority stakes in 61 plants producing derivative petrochemicals such as ammonia and ethylene. Under a scaled-back scheme announced yesterday, the government hopes to interest the private sector in buying minority holdings in yet-to-be-created subsidiaries of the petrochemicals wing of Petróleos Mexicanos (Pemex), the state oil monopoly. It also announced a liberalisation of rules for private investment in new petrochemical projects.

"During the present administration, the majority stake [of the petrochemical plants] will belong to the state," Mr Jesús Reyes-Heroles, the energy secretary, said yesterday. International companies interested in investing are likely to be unhappy that the proposed sales are no longer of controlling stakes, but minority shares in future state concerns.

The bidding process for one ammonia-producing petrochemical complex, Cosoleacaque, was abandoned yesterday. The process had been suspended earlier this year. Bidders included Norsk Hydro of Norway and two US fertiliser companies.

Yesterday's announcement was precipitated by a ruling by the comptroller's office, which oversees the regulations for divesting state assets, that the

laws defining which petrochemical facilities could be privatised needed clarification and reform. Because it was far from certain that Congress would vote for the necessary legal changes without big compromises, the government decided to carry out only a partial privatisation.

Mexico's oil industry, which was nationalised in 1938, is highly sensitive politically, with deep-rooted opposition to foreign ownership. Last month, sections of Mr Zedillo's ruling Institutional Revolutionary party vociferously opposed the planned petrochemical privatisation.

Dr Reyes-Heroles said the measures would be presented to Congress immediately and that the government expected sales of minority stakes in Pemex's petrochemical subsidiaries to begin during the second half of 1997.

The government had originally planned to sell stakes of 70 to 80 per cent in petrochemical plants in a process scheduled to end midway through this year.

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Finland jumps aboard the European single currency bandwagon while hesitant neighbours fear implications

Finland out to prove its euro-worthiness

In joining the ERM, Helsinki is showing it is keen to be up with the monetary union elite

The European bandwagon heading toward economic and monetary union has stopped to pick up a new passenger. After several weeks of dithering over the precise timing, Finland made its long-expected move at the weekend to join the exchange rate mechanism.

The decision is much more than a declaration of intent about currency and monetary stability, it shows Finland is leaving nothing to chance in its attempt to join the elite group built around France and Germany which plans to launch Emu on January 1 1999.

Finland has pointedly ignored arguments in Britain and Sweden that participation in the currency grid should not be a precondition for joining the monetary union. Instead, Helsinki has sided with Franco-German orthodoxy in favour of a strict reading of all provisions of the Maastricht treaty, not just the familiar ones on budgetary rigour.

In political terms, the ERM move marks a break with Sweden, Finland's bigger neighbour which has

adopted a "wait-and-see" attitude towards Emu membership, repeating yesterday that it has no early intention of joining the ERM.

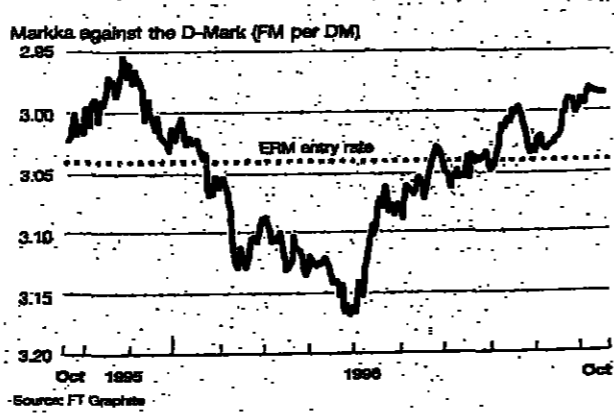
Finland followed Sweden in applying to join the European Union and the two countries became members together last year. But Finland has since pushed ahead with integration into the EU with far greater enthusiasm than the Euro-sceptic Swedes.

With its long border and history of fraught relations with Russia, Finland sees membership of the economic and political core of the European Union as a vital security issue.

Mr Paavo Lipponen, the prime minister, stressed that the time had come to de-couple from Sweden. "Our performance in the markets has not been tied to the situation in Sweden for some time," he said, referring to Sweden's slower progress in balancing its public finances.

Mr Lipponen said his Social Democratic-led coalition had been preparing to enter the ERM since early this year. The move capped

Finland finds its level



a determined effort by Finland to regain control of public finances following a deep recession in the early 1990s when it was twice forced to devalue and float the markka.

The general budget deficit has been brought down to an expected level this year of 2.9 per cent of gross domestic product - within the Maastricht conditions - from 8 per cent in 1993.

State debt should be close to the Maastricht maximum of 60 per cent of GDP next

year and inflation and interest rates have been brought down to benchmark levels. The markka meanwhile has traded close to its ERM entry level of FM3.04 to the D-Mark for most of the past two years.

Crucially, Mr Lipponen won acceptance for joining the ERM from the powerful pulp and paper industry. It had feared the rival Swedish forest industry could gain a vital export advantage if the markka was fixed while the krona still floated. But

industry leaders said they were satisfied with the ERM entry level and reassured by the ERM's 15 per cent fluctuation bands.

The immediate consequence of the Finnish move will be to put pressure on Sweden to reconsider its "wait-and-see" position.

It also seems likely to influence the Italian government which has been toying with the idea of re-entering the currency mechanism for at least 12 months.

Italy wants to defuse tensions with France where President Jacques Chirac has sharply and persistently criticised the lira for being undervalued. But the most serious argument in favour of rejoining the ERM is the same which swayed Finland: fear of being left out of the first wave of countries to participate in monetary union.

Last week the Italian parliament formally endorsed the centre-left government's plans to cut the 1997 budget deficit to the Maastricht target of 3 per cent of GDP. The vote strengthens the prospect of the draconian fiscal package being adopted more

quickly than usual, possibly by mid-November.

This would allow the government of Mr Romano Prodi formally to open negotiations for re-entry of the lira into the ERM. The lira left, along with sterling, in the September 1992 currency crisis. Informal soundings on a satisfactory parity with the D-Mark are expected to begin soon, possibly as early as today at a meeting of EU finance ministers in Luxembourg.

If Italy were to rejoin the ERM, the British government's position would become uncomfortable. So far Mr Kenneth Clarke, the Chancellor of the Exchequer, under pressure from Conservative Euro-sceptics at home, has resisted French-led pressure to join the ERM.

In this sense, Finland's ERM move is a warning that time is running out for those who cannot make up their minds whether they want to be inside or outside the future euro zone.

Editorial Comment, Page 17

Lionel Barber and Hugh Carney

Reluctant Swedes fear Emu backlash

By Hugh Carney in Stockholm

The Swedish authorities will be watching the financial markets anxiously today for any negative reaction to Stockholm's decision not to follow neighbouring Finland into the European exchange rate mechanism.

There were warnings yesterday that Swedish long-term interest rates might rise because of concern over the Social Democratic government's reluctance to commit itself, as Finland has done, to the ERM and eventual membership of the European monetary union.

"The Swedish hesitancy over European currency co-operation contrasts with the market's point of view on a disadvantageous way with Finland's firm and clear decision," said Mr Carl Hamilton, chief economist at Svenska Handelsbanken. "Sweden's relative credibility has been weakened."

But both the government and the Riksbank, the central bank, issued firm statements insisting, first, that the Finnish decision would have no influence on Sweden's position and, second, that there was no early prospect of moving the krona into the ERM.

Mr Erik Asbrink, the finance minister, restated the government's belief - which stands in stark contrast to the position expressed by his Finnish counterpart - that participation is not regarded by Sweden's European Union partners as an essential pre-condition for Emu. "I don't believe membership of the ERM is necessary for joining Emu," he declared.

Sweden's position is influenced by the memory of late 1992 when an earlier move to link the krona to the Ecu ended in disaster, with the authorities at one point rais-



Persson: staying out means being extra tough

ing overnight lending rates to 500 per cent in a vain attempt to resist speculation against the krona. The government and the Riksbank want more time to establish a record of currency stability before putting the krona to the test once more.

But much more important today is the strong tide of anti-Emu - and specifically anti-Emu - sentiment flowing in the country and inside the Social Democratic party. Mr Asbrink and Mr Göran Persson, the prime minister, have indicated that they favour Swedish participation in Emu - but they have been forced to adopt a British-style "wait-and-see" position because of the weight of political opposition.

In the meantime, Mr Persson and Mr Asbrink have been at pains to stress that staying out of the ERM - and Emu when it gets under way - means that Swedish financial policy must be extra tough to retain the confidence of the financial markets. Sweden - to its embarrassment - has been slower than Finland to get a grip on its public finances. But it is now doing so with a stringent fiscal policy and is confident it will achieve the main Emu criteria by next year.

Greek Cypriot shot dead in buffer zone

Turkish Cypriot forces yesterday shot dead a Greek Cypriot who had crossed into the north of the divided island, Greek and Turkish Cypriot officials said. Reuter reports from Nicosia.

The incident raised to four the number of people killed along the buffer zone since tension began to rise in August. They comprise three Greek Cypriots and one Turkish Cypriot.

The killing came hours before the expected arrival of Sir David Hannay, Britain's special representative on the Cyprus problem. He is to make another attempt to break the stalemate in the 22-year old Cyprus dispute.

The Cypriot government called the killing of the 58-year-old man yesterday "blatant cold-blooded murder".

Turkish Cypriot officials said Petros Kakouli, a retired fireman, had crossed 200 metres into the self-proclaimed Turkish Cypriot state and ignored warnings to stop.

The shooting happened near the eastern end of the

buffer zone, close to Achma village and territory controlled by UK military bases.

Cypriot police said Mr Kakouli, a resident of the nearby village of Avgorou in the government-controlled area of the island, was with his son-in-law collecting snails.

"At one point his son-in-law lost him and then saw him standing with his hands up," he said.

"Turkish soldiers shot him once and then walked closer to him and finished him off."

The body was removed after about four hours. Cypriot authorities were making representations through the United Nations to recover it. Police said the body would probably be handed over today.

Greek Cypriot President Glafos Clerides said his government might make an appeal to the UN Security Council over the incident. Cyprus radio reported.

A Turkish Cypriot military spokesman said soldiers had called on Mr Kakouli three times to stop.

CONFLICT DEMONSTRATIONS WAR INVASION POLITICAL UNREST INDEPENDENCE

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NEWS: EUROPE

Reconciliation means finding where the bodies lie

Laura Silber reports on the grisly path to peace for Bosnia's warring communities

From the blackness of her room, Alma speaks darkly of her husband and brother, who disappeared with thousands of other Bosnian Moslems in July 1995 when the Serbs overran Srebrenica. She has heard nothing of them since.

Alma knows the worst. But like most relatives of the 15,000 reported missing in Bosnia, she clings to unfounded rumours that thousands of Srebrenica's men are being held prisoner in secret camps and mines in Serbia. The chances are remote. The International Red Cross, responsible for tracing Bosnia's missing, presumes them dead.

Implementation of the Dayton peace agreement hinges on laying to rest Bosnia's dead in order to foster reconciliation among Moslems, Serbs, and Croats.

Believing that burying the dead and erecting memorials, in particular to those whose bodies cannot be found, is crucial to establishing a lasting peace, an international commission met last week in Geneva to push forward the process.

"The Dayton agreement rests on three pillars, creating a climate of military security, economic reconstruction, and the building of political institutions," says German ambassador Michael Steiner, deputy to Mr Carl Bildt, international envoy to Bosnia.

"But this is impossible without reconciliation. You cannot have reconciliation however when hundreds of thousands of people have only one issue: where are the missing?" adds Mr Steiner, an adviser to the commission

chaired by Mr Cyrus Vance, former US secretary of state.

The commission, proposed last June by US President Bill Clinton, hopes to de-politicise an issue in a land where anything is used as a pretext for a new dispute.

Yugoslavia has long been characterised by manipulation of the dead. More than a million Yugoslavs were killed, mostly by other Yugoslavs, during four years of Nazi occupation. After that war reconciliation was enforced with the communist slogan "Brotherhood and Unity". But Yugoslavia's communities - in particular the Serbs - whispered that their dead still lay in unmarked mass graves.

In the run-up to the civil war of recent years, nationalist leaders of all shades found the mass

graves from the second world war fertile ground for whipping up popular fears.

Last November in peace talks at Dayton in the US, these same leaders pledged to co-operate with the Red Cross in efforts to trace missing people.

In fact, there has been a measure of co-operation.

The Moslem, Serb and Croat representatives last month designated four priority sites - two in Republika Srpska, the Bosnian Serb entity, and two in the Moslem-Croat Federation - where exhumation efforts are already under way.

Considerable political, economic and security obstacles however continue to block progress in exhuming and identifying the corpses - and giving them proper burials. The former war-

ring parties insist on reciprocity. "The sides still believe in trading bodies - 40 of your corpses for 40 of mine. They must learn to operate on a different basis," said a western official, "if peace is to take root."

Only those former warring factions can provide the information necessary to trace the missing. Many of them lie on heavily mined battle sites.

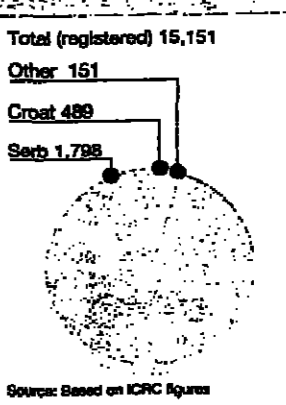
But the commission can exert pressure on the parties to carry out their pledges. It can also help with money - \$5m has been pledged by the US and the EU - for what is an expensive undertaking. The creation of a data bank, including medical and physical histories - is essential for identifying bodies.

With the fighting over for more than a year, international offi-

cials believe the process must move into high gear. So far 400 bodies have been exhumed - and 200 identified. Otherwise, the issue of the missing is likely to dominate the political agenda.

Bosnian Moslems make up the overwhelming majority of the missing. Their leaders so far have shied away from using the missing as a rallying point, perhaps because they do not want to answer for the extent of casualties in Srebrenica, the United Nations so-called safe haven, where thousands of Moslems are feared slaughtered by Serbs.

Mr Steiner believes the families of the missing could become a political force to be reckoned with. "Totalitarian systems can only control those who have something to lose. These people are desperate and cannot be dis-



Source: Based on ICRC figures

disciplined," he said.

Mr Vance said: "The end of shooting alone does not mean full peace has been achieved. Peace is a psychological as well as a physical state. Only when we have helped the grieving, will we be able to say that full peace has truly arrived."

Airbus hopes to swallow big new market

By Charles Batchelor, Transport Correspondent

Not sure how to get that new yacht out to the Caribbean without having to spend weeks on the high seas? Or how to get the company helicopter close to where it is needed? Try Air Transport International, a new subsidiary of Airbus Industrie, whose fleet of four Airbus Super Transporters routinely swallows this sort of large and delicate freight.

Airbus has seconded 35 staff to target customers seeking to move rockets, satellites, aircraft engines, aircraft simulators, tanks, helicopters, racing cars and yachts.

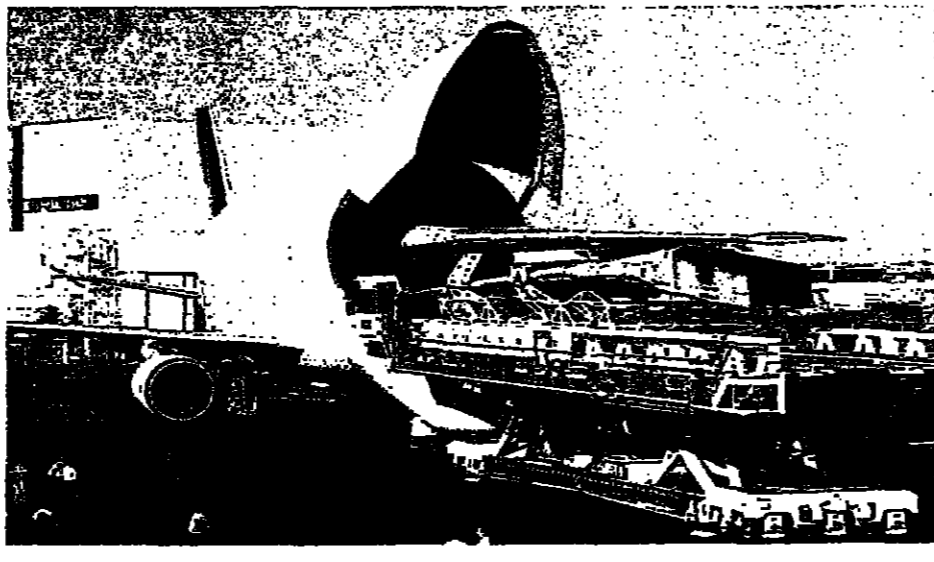
The company believes it could earn up to \$15m a year by using spare capacity when its fleet is not ferrying aircraft components between its own plants. It calculates it will have 800 spare flying hours available each year, nearly equivalent

to one aircraft sitting on the ground.

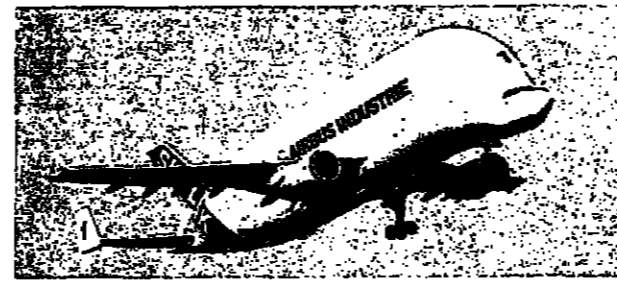
Airbus received 60 unsolicited requests last year from organisations which wanted to use the special transporters, said Mr Louis Germain, vice-president, transport. He said Airbus would not be in competition with any of its airline customers in this market.

"We clearly have considerable expertise of safely transporting highly valuable and difficult pieces of equipment for our own assembly operations," said Mr Arnaud Martin, director of transport operations.

Two of the fleet of Super Transporters are already in operation. The third will be delivered next April and the fourth in June 1998. The new aircraft are replacing the 25-year old Super Guppy. The Super Transporter's large main cargo door and bulbous body means it can carry bigger, more awkwardly shaped items than any other air-



Loading aircraft wings on the Super Transporter (above). Airbus will use the giant carrier to ship components between its European plants and hopes to earn \$15m a year by hiring out its spare capacity. The bizarrely-shaped aircraft (right) can carry delicate, valuable cargoes such as satellites or rockets



craft although its payload of 45.5 tonnes is less than rivals such as the Russian Antonov freighter.

The Super Transporter is based on the Airbus A300-800R which has been con-

verted by Aerospatiale and Deutsche Aerospace Airbus. It has a range of 900 nautical miles.

Boeing last week forecast continued strong growth of the world air freight mar-

ket. It expects total air cargo traffic to increase by an average 6.6 per cent a year for the next 20 years compared with 5.1 per cent a year growth for passenger traffic.

US plans talks on EU grain subsidies

By Deborah Hargreaves

US officials will meet representatives from the European Commission this week to try to sort out a growing row between Washington and Brussels over grain subsidies.

The European Union has faced loud protests from the US, Canada and Australia over its recent decision to revive subsidies granted to grain exporters. For the past year the EU has tried to halt grain exports by imposing a tax on shipments in order to stop EU prices from overheating.

But this year's grain harvest is the second biggest on record and EU farmers are worried that a glut of wheat will depress EU prices.

"The EU's subsidies for exports are undermining world prices and taking revenues away from our farmers. Why can't they let the market work?" one US trade negotiator said.

Mr Dan Glickman, US agriculture secretary, has threatened to "fight fire with

fire" and reopen the US's own export subsidy programme. "We have the money for it and the legislative authority," the negotiator said.

But meetings between officials in Brussels are aimed at defusing the situation before it grows into a full-blown trade row. "We have resolved nothing in meetings so far and this is

granted very small export subsidies and on only 300,000 tonnes of grain. "We have been giving refunds of Ecu4 a tonne and have every right of going much higher than that if we need to," an official said.

The Commission puts complaints from the US down to electioneering in the run-up to the US presidential elections in November. "We have no intention of flooding the world market, but every intention of maintaining an important position in that market," an official said.

The EU does not operate a free market for wheat as the Commission must grant licences for all exports and it traditionally refunds exporters to compensate for world prices which are lower than EU internal prices. The Commission manages the market to ensure prices and supplies are adequate within the EU.

"The EU has a very ample and buoyant internal market for grain. We don't see why they need to export," the US official said.

The EU says it has so far

Brussels puts US complaints down to electioneering

Rheumatism research unlocks a promising new active substance. Hoechst.

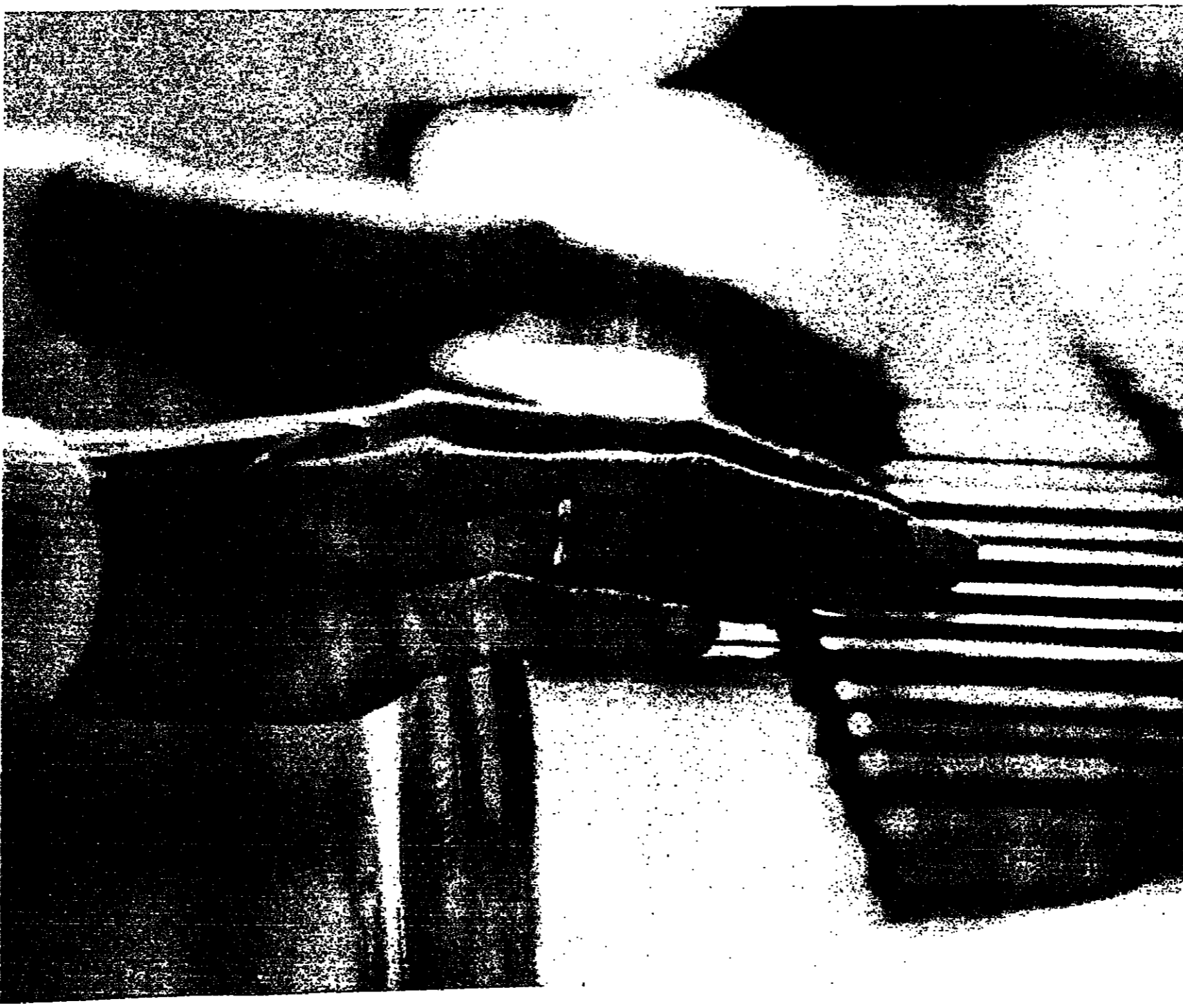
Things are moving. It looks very much like we've made a great step forward in rheumatoid arthritis research.

Our scientists at Hoechst Marion Roussel, the pharmaceutical division of Hoechst, have discovered and are developing a new active substance which is likely to bring a good deal of mobility to sufferers of rheumatoid arthritis.

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S Korea braces for restructuring

OECD membership will promote shift towards market economy, writes John Burton

For most nations, entry into the Organisation for Economic Co-operation and Development amounts to no more than symbolic confirmation of their status as an advanced industrial economy. But for South Korea, its approval on Friday as the OECD's 29th member is much more significant.

Its membership in the club of rich nations is expected to serve as a catalyst for a fundamental restructuring of the Korean economy. Adherence to the OECD's liberal standards will promote a shift from state-guided capitalism to an economy dominated by market forces.

However, the difficulty of accomplishing that transformation was reflected in the contentious negotiating process that involved Korea's OECD application over the past 18 months.

OECD members pressed Korea to accelerate financial liberalisation and economic deregulation as the price for membership. But results fell short of expectations despite several key concessions by Seoul. Korea accepted only 65 per cent of the OECD codes on financial liberalisation against an 89 per cent acceptance rate by the average OECD member.

Although it promised to open the stock market fully to foreign investment by 2000, Seoul failed to set a firm date for opening the bond market and abolishing controls on the borrowing of overseas funds by Korean companies. Seoul argued that rapid financial liberalisation would stoke inflation and destabilise the financial system because of a sudden inflow of speculative foreign funds, attracted by Korea's high interest rates.

Instead, Korea offered to proceed with full financial liberalisation once the gap between Korean and international interest rates fell to 2 percentage points from its

Acceptance of South Korea as a full OECD member came after a strenuous and partly successful lobbying effort by western trade union organisations which wanted to ensure the Korean government accepted internationally accepted labour standards by repealing industrial relations laws dating back to the days of military dictatorship, writes Robert Taylor.

The Korean government has written a letter to the OECD designed to reassure those member states concerned at its attitude to worker and trade union rights. It said it would make a "solemn commitment" to reform existing laws to bring them into line with core labour standards of the International Labour Organisation, including explicitly those of freedom of association and collective bargaining. A special OECD committee is to be formed to monitor progress on Korea's move to the standards it has accepted.

current 6-7 percentage points, and inflation fell to below 3 per cent from its present 4.5 per cent. Korean officials admit these economic preconditions are unlikely to be achieved until after 2000.

In trade, Korea promised to end its import ban on Japanese goods by 1998, while it managed to retain developing country status for agricultural imports, as well as environmental standards, until at least 2000.

Although OECD members expressed disappointment about the lack of immediate progress in Korea meeting OECD criteria, they said there were good political reasons for accepting Seoul.

Korea is the world's 11th largest economy and its per-capita income of \$10,000 already exceeds that of OECD members as Hungary, Mexico and Turkey.

"We are near the bottom when it comes to OECD standards on capital markets, but we are determined to do our best," said Mr Ju Chul-ki, head of the foreign ministry's international economic affairs bureau in Seoul. "If you accept a new bride, you must have confidence in her."

However, there is considerable domestic opposition to some measures as shown by the National Assembly's reluctance to approve membership.

The two main opposition parties have criticised the government's push for membership as being too "hasty", claiming the economy is not ready to withstand strong international competition. This reflects fears market liberalisation will lead to industrial disruption and social inequality.

Nonetheless, the National Assembly is likely to approve OECD membership next month because it does not want to be blamed for harming Korea's international prestige and efforts to acquire greater influence abroad.

"It is necessary to reconsider (our opposition) now that the OECD admission is a *fait accompli*," said the biggest opposition party, the National Congress for New Politics, recently.

President Kim Young-sam's government is also touting benefits of OECD membership, such as improved access to overseas markets and better credit ratings for international loans. Mr Kim will claim most of the credit for getting Korea into the OECD, his term ends in early 1998 but it will be up to the next administration to do most of the work in implementing the promised reforms.

No one knows whether Mr Kim's successor will share his commitment to liberalisation.

NZ parties begin hunt for partners

By Terry Hall and Nikki Tait in Wellington

Preliminary talks between leaders of New Zealand's four main political parties were under way yesterday, after Saturday's election failed to throw up a clear winner but favoured the formation of a centre-left government.

The election was the country's first under a German-style proportional representation system. The conserva-

tive National party, which has been governing for the past six years, won the largest single share of the vote - about 34 per cent - giving it a likely 44 seats in the new 120-seat parliament.

But only two of the smaller rightwing parties - ACT and United - secured additional seats. When their combined tally of nine is added to National's, this does not provide a centre-right majority.

On the other side of the

political spectrum, the centre-left Labour party won about 28 per cent of the vote, entitling it to 37 seats, while the leftwing Alliance gained 10 per cent, or 13 seats.

This gives New Zealand First, headed by Mr Winston Peters, a former National party minister, a key role in deciding the next government. NZF, which advocates a brand of economic nationalism, won 13 per cent of the vote, or 17 seats.

Ideologically, Mr Peters is closer to National - but there is personal animosity between the NZF leader and Mr Jim Bolger, New Zealand's prime minister. A bigger stumbling-block to a NZF-National alliance could be NZF's heavy endorsement from Maori voters, who have traditionally supported Labour. Most of the NZF candidates were former Labour party members.

Ms Helen Clark, Labour's leader, said she had talked

to Mr Jim Anderton, who heads the Alliance, and had tried unsuccessfully to reach Mr Peters.

Mr Anderton indicated that the Alliance would consider supporting Labour on confidence motions, but would want Labour to stick closely to its election commitments.

Meanwhile, economists are predicting that the indicative result will bring short-term volatility to New Zealand's financial markets.

Clark's future lies in others' hands

The smile on Helen Clark's face seemed to stretch forever. By the early hours of Sunday morning, results from New Zealand's first proportional representation election were favouring her Labour party to form a centre-left government.



Helen Clark: hoping to break through glass ceiling

"Many people have expressed the hope that I will be able to break through the glass ceiling and be the first woman prime minister of New Zealand," the 46-year-old former politics lecturer told supporters.

"I want to say that the verdict on that is now in other people's hands. But I will be endeavouring to negotiate, to see if I can lead a change of government."

The smile, however, was replaced by steady concentration when a TV network hooked-up Ms Clark with Mr Jim Bolger, leader of the conservative National party and the current premier.

"We both know that under MMP [proportional representation], the bronze medal winner decides who gets the gold and who gets the silver medals. May the best negotiator win," she coolly told her opponent.

To secure government, Labour needs to clinch support from the leftwing Alliance and nationalistic New Zealand First - a task which will tax Ms Clark's renowned level-headedness to the limit.

The former Auckland University lecturer served as health minister and deputy prime minister before

Labour's landslide defeat in 1990, but even then she was viewed as capable rather than charismatic. Mr David Lange, former Labour prime minister, once spoke of her "icy objectivity" and summed her up as "a dry mind and a wet heart".

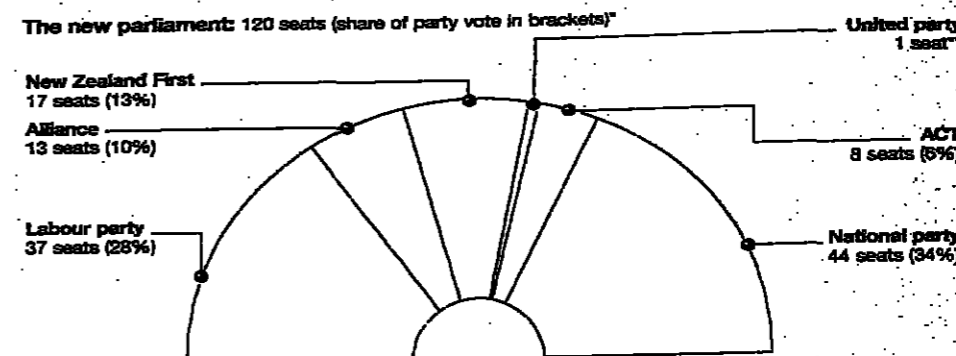
When Mr Mike Moore, her popular predecessor, lost the 1993 election by a whisker, Ms Clark took over the leadership.

In August she faced a challenge from a group of front-bench colleagues. Her response was to stand firm, but to promote Mr Michael Cullen, one of the "coup" leaders, to be her deputy.

On Saturday this strategy paid off. Labour's vote picked up at the eleventh hour, coming in at almost double the 15 per cent level which the party had been polling in May.

Now the task will be to

The bargaining starts here



* Expected seat distribution, which could alter due to outstanding counts of special votes, including those cast abroad.
 ** An electorate seat; party vote was less than 5 per cent

find consensus with both the Alliance and NZF, while still keeping Labour members on side. Mr Jim Anderton, the Alliance leader and a former Labour party president, probably poses the lesser problem as he has already ruled out support for National. The Alliance is also opposed to post-election coalitions, preferring to offer "confidence vote" support.

Mr Winston Peters, the part-Maori lawyer who formed NZF after being dropped from a National party cabinet by Mr Bolger in 1991, is less predictable. Throughout the election campaign he refused to say which way NZF would lean if it held the balance of power.

Already both Ms Clark and Mr Bolger have made overtures. Ms Clark described Mr Peters' election night speech as "very responsible", while

Mr Bolger paid tribute to NZF's progress.

Mr Peters has admitted that Labour's social agenda - which repudiates much of National's "user-pays" approach in the health and education areas - is "closer to that of New Zealand First than National's". Both parties also favour fiscal surpluses and advocate only minor changes to the Reserve Bank Act, which governs New Zealand's inflation policy.

But there are difficulties. Labour, unlike NZF, wants to repeal labour market legislation and encourage collective bargaining. NZF, meanwhile, would like compulsory superannuation, a cap on foreign ownership of strategic assets, and renationalisation of the Forestry Corp timber business.

While Mr Peters has the numbers to play kingmaker,

he must also consider his bedrock support. Much of NZF's vote came from the Maori community, and the party looks to have won at least four (and possibly all five) Maori seats.

No one, however, expects Mr Bolger, a wily 61-year-old farmer whose political career may be on the line if National finds itself out of office, to make Ms Clark's task easy.

On Saturday night he attempted to portray the election result as an endorsement of centre-right government, implicitly lumping NZF's vote with that of National and the pro-business ACT party.

wooing Mr Peters is a possibility, despite the personal animosities. Picking off disenfranchised Labour members might be another.

Nikki Tait



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INTERNATIONAL NEWS DIGEST

Kurdish rebels retake Iraq city

Patriotic Union of Kurdistan (PUK) rebels retook the Kurdish stronghold of Sulaimaniya yesterday, only a month after losing it to a rival faction aligned with Iraqi president Saddam Hussein.

A statement by the PUK said its forces entered the city, the region's second largest, at dawn following a "spontaneous uprising" which ejected forces of the Kurdistan Democratic party. The rival group's leader, Mr Massoud Barzani, fled the city and took refuge in Kirkuk, which is controlled by Baghdad, the statement said. Mr Barzani's forces drove the PUK out of Sulaimaniya in September, with the Iraqi army's help. The US retaliated with missile strikes near Baghdad.

AP, Baghdad

Pakistan seeks farm tax

Pakistan's federal government yesterday intensified efforts to win support from the country's four provinces for its plan to tax agriculture, a move it considers necessary to repair troubled relations with the IMF.

Under Pakistan's constitution, only the provinces can tax agricultural incomes. Despite calls by western donors and international financial institutions for such a tax, there has been resistance. This has been spearheaded by Punjab, the country's largest province which provides most agricultural produce.

Farhan Bokhari, Islamabad

Burmese barricades up again

Burmese security forces re-erected barricades around the home of Ms Aung San Suu Kyi, the democracy leader, at the weekend, preventing for the third week her regular public speeches and meetings of the opposition National League for Democracy.

Access to Ms Suu Kyi's home had been barred for about 10 days until Tuesday, when blockades were removed and 579 detained NLD supporters were released. Ms Suu Kyi had hoped the removal of the barricades would allow her to resume normal party work and address the public, as she has done every weekend since her release from house arrest more than a year ago. But Burmese officials said the internal situation could not allow meetings and speeches to go on.

Ted Bardacke, Bangkok

Jakarta accused over riots

Indonesia's human rights watchdog has accused the government and military of provoking the political turmoil which led in July to some of the worst rioting and looting seen in Jakarta in more than a decade.

The National Commission on Human Rights' finding stopped short of contradicting President Suharto and the military, who have blamed the riots on "communist-like" forces.

In a rare call for accountability, the commission's long-awaited report concluded that the riots were "the result of the creation of open conflict in the Indonesian Democratic party (PDI), where the government had involved itself excessively and in a biased way out of proportion to its function as a manager of politics and security."

Indonesian police moved in to evict supporters of Mrs Megawati Sukarnoputri, who was ousted as PDI leader by a government-backed faction of the party, on July 27. The commission said the takeover was "an action carried out violently" by members of the new PDI leadership and the security forces.

Mariana Saragosa, Jakarta

SOUTH AFRICA

By Mark Ashurst

The murder trial of General Magnus Malan, South Africa's former defence minister, who guided the apartheid military machine through the most violent days of white rule, was billed as a South African version of America's O.J. Simpson trial.

The most politically charged courtroom drama of the decade, the general was the first of the former ministers to face a murder charge. For many newspapers, his trial was a test of political transition - a final reckoning for members of the old white regime, and those who worked with it, in the new era of black rule.



Gen Malan: first of the ex-ministers to face murder charge

City Press, a Sunday newspaper read mostly by blacks, declared that the acquittal handed down on Friday "has split South Africa - just as the not guilty verdict in the O.J. Simpson trial in Los Angeles split America".

The Sunday Times, the country's biggest-selling newspaper, predicted that more skeletons would emerge from the past. The reaction would differ along racial lines, it said: "Whites will shuffle embarrassedly and say 'we did not know' or 'so what'. Blacks will say 'we told you so' or 'how could you'."

True to the national style, however, the trial of Magnus

Malan has been a staunchly multiracial affair. Gen Malan was acquitted jointly with Mr M.Z. Khumalo, deputy secretary-general of the Inkatha Freedom party and a former personal assistant to its leader, Chief Mangosuthu Buthelezi. The fault lines the trial has exposed can be traced not to racial or ethnic solidarities, but to party politics.

Judge Jan Hugo confirmed other judicial inquiries which found that the former Nationalist government gave training, salaries and AK-47

assault rifles to 206 members of Inkatha to assist its campaign against its political opponents. Members of this paramilitary force were responsible for the 1987 massacre of 13 blacks at Kwa-Makutha township, which dominated the trial.

The liberal Weekly Mail and Guardian was alone in pointing out that many of the Inkatha trainees were still active in the security forces. At least 55 have joined the South African police, it reported - "most of them in areas of KwaZulu-

Natal which have suffered or continue to suffer from outbreaks of violence."

There was general agreement among editorial writers that the judge was correct in rejecting much of the prosecution evidence as unreliable. The evidence linking Malan directly to the murders had been "insufficient", said *The Sunday Independent*.

In the eyes of the Sunday Times, the "most impressive thing to emerge from the Kwamakutha trial" was President Nelson Mandela's swift defence of the judicial process in the aftermath of the verdict. "Such a steady hand in times of high emotion is necessary," it stated in a summary of the verdict under the headline: "Flawed - but the best we've got".

The same ambivalence appeared throughout the English-speaking press. The "total onslaught" era of the 1980s was "the darkest moment in our history when Afrikaner nationalist idealism lurched into naked repression," said the Sunday Times. But it doubted any further prosecutions could secure convictions. The courts would have a hard time deciding between "one set of claims by a bunch of self-confessed rogues (and) the counterclaims of another set of rogues".

Mr Sam Sole, a reporter for the Sunday Independent,

argued that the depravity of that era had been understated. Judge Hugo had heard nothing of "the world of murderers, psychopaths, gangsters and pimps, making it impossible to reconcile the massacre at Kwamakutha with 'the pretty picture of starched military discipline, doctrine and procedure' painted by Gen Malan's lawyers."

The overwhelming impression, concluded the newspaper's editorial page, was that "a man who was instrumental in waging apartheid's dirty war has got off scot free."

The Citizen, a daily tabloid, took the opposite view. It praised the trial as a model of how a democracy should function in a civilised country, adding just one caveat: "The case should never have been brought before court."

The paper, which began life as a propaganda rag for the National party but now attracts a multiracial readership, expressed special sympathy for the "months of emotional stress and turmoil" endured by Gen Malan.

The Citizen was particularly concerned that the general could be compelled to give evidence to the Truth and Reconciliation Commission, headed by Archbishop Desmond Tutu, which is the task of investigating gross human rights abuses

during the apartheid era.

"Unlike the judge in the Malan trial," opined The Citizen, the commission "does not test the evidence before it."

The acquittal may frustrate the Commission, which relies on the promise of indemnity from prosecution to attract former security officials and political activists to confess all. But Archbishop Tutu, who last week issued subpoenas compelling two former police generals to confess all, is not deterred.

He argues that security officials will volunteer evidence in the wake of the conviction for murder of Col Eugene de Kock, commander of the notorious Vlakplaas special forces unit.

"The Citizen's concern for the treatment of members of the former militia may be better understood in the light of evidence heard this week at the trial of Col de Kock.

Known as "Prime Evil" by his colleagues, the colonel has been convicted on an array of 90 charges including multiple counts of murder, attempted murder and conspiracy to murder.

But according to psychologists, he is a "very ordinary" South African. A report in Friday's *Business Day* newspaper records that the colonel "had a very common psychological profile with an overt aggression level below the country's norm".

Sanctions on Burundi prompt talks move

By Michela Wrong in Arusha

Despite big misgivings on the part of western governments, economic sanctions by east African countries on neighbouring Burundi appear to have achieved a key aim: bringing Major Pierre Buyoya, Burundi's Tutsi leader, to the negotiating table with rebels from the majority Hutu group.

At a regional summit staged in the Tanzanian town of Arusha on Saturday

to evaluate a 10-week embargo applied after the Burundian army's seizure of power, it was revealed that Major Buyoya had agreed to unconditional talks with the National Council for the Defence of Democracy (CNDD) and other Hutu factions.

The offer coincided with a letter to the summit from Mr Leonard Nyangoma, CNDD chairman, offering to enter immediate negotiations on "the restoration of constitu-

tional legality" with Burundi's military junta.

Welcoming these developments, the seven-nation summit set a one-month deadline for the start of talks and agreed to dispatch a ministerial delegation to Bujumbura to oversee progress on negotiations.

But despite pressure from the US and foreign governments who fear that Major Buyoya, regarded as a relative moderate, could be toppled by Tutsi extremists if

his recent gestures of compromise are not rewarded, there was no move to soften sanctions.

Burundi's military regime, which last month agreed to lift a ban on political parties and reinstate parliament, reacted angrily. It accused the African leaders of undermining peace and decried a "secret agenda" - a reference to the minority Tutsi community's growing conviction that Tanzania and other pro-sanctions coun-

tries want to see majority Hutu rule in Burundi.

Major Buyoya's latest move is a sign of how hard the embargo has hit his landlocked country. Although fuel and manufactured goods are being smuggled into Bujumbura from Rwanda and Zaire, prices have soared and the economy is suffering.

Mr Pascal Firmin Ndimira, Burundi's prime minister last week estimated the boycott had cost the economy

\$162m. Exports of coffee and tea, the main foreign exchange earners, have been blocked and civil servants, mainly Tutsis, were recently told they would be asked to make "sacrifices".

But by dropping demands the rebels denounce violence and disarm before negotiations can start, Major Buyoya now risks being accused of treachery and outflanked by Tutsi hardliners opposed to any compromise with the rebels.

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Brazil acts to calm deficit fears

By Jonathan Wheatley in São Paulo

Brazilian plans to cut public spending by \$6.5bn next year were welcomed at the weekend as evidence that ministers are responding to growing concern over the budget deficit, and as a message to Congress that government patience is running out over slow progress on essential constitutional reforms.

Mr Pedro Malan, finance minister, said the package of more than 40 measures unveiled on Friday would cut Brazil's operational deficit (including debt servicing) to 2.5 per cent of domestic product next year from 3.5 per cent this year.

"But this effort will not be effective in the long term unless we manage to approve the constitutional reforms now passing through Congress," he said.

The package includes measures to cut public sector employment through natural wastage, sell state assets, end a series of privileges enjoyed by public employees and increase tax revenues.

The government also said it would ask Congress to extend the fiscal stabilisation fund - introduced two years ago and due to expire next June, until the end of 1999. The fund gives the government control over money

earmarked for specific purposes under the constitution, equivalent to 20 per cent of the national budget.

"The measures may not achieve 100 per cent of their target but they are very positive in showing that the government is concerned about the fiscal situation and is prepared to tackle it in detail," said Mr Bolivar Lamounier, political analyst.

Government reforms have cut monthly inflation from 50 per cent in June 1994 to less than 1 per cent today, but lasting stability depends on bringing public spending under control.

Fiscal, public sector and social security reforms have been on the government's agenda since the beginning of last year. These require the support of two-thirds of congressmen, but so far, congress has been reluctant to oblige.

In what was seen as a sign of its frustration over the slow pace of reform, the government announced in June that it would seek to cut spending by other methods. The measures announced on Friday are understood to have been ready for some months; observers say they were delayed to avoid damaging the prospects of government candidates in municipal elections on October 3.

Case builds for a divided Washington

Patti Waldmeir sets out the argument for maintaining checks and balances in US government



US ELECTIONS November 5

Now, it is as though the two men are running on the same ticket.

Mr Scarborough, a member of the much-battered "freshman" class of Republicans elected to Congress two years ago, does not even pretend that he thinks Mr Bob Dole will triumph in his bid for the presidency. He claims he wants Mr Dole to win - but even this lacks conviction.

Effectively if not officially, Candidate Scarborough is campaigning on a ticket headed not by Mr Dole, but by Mr Clinton. For he needs a Democrat in the White House to make his electoral case: that voters must put lots of Republicans in Congress to restrain the liberal instincts of a re-elected President Clinton. Conservatives on Capitol Hill, liberals in Pennsylvania Avenue - Mr Scarborough believes the Founding Fathers wanted it

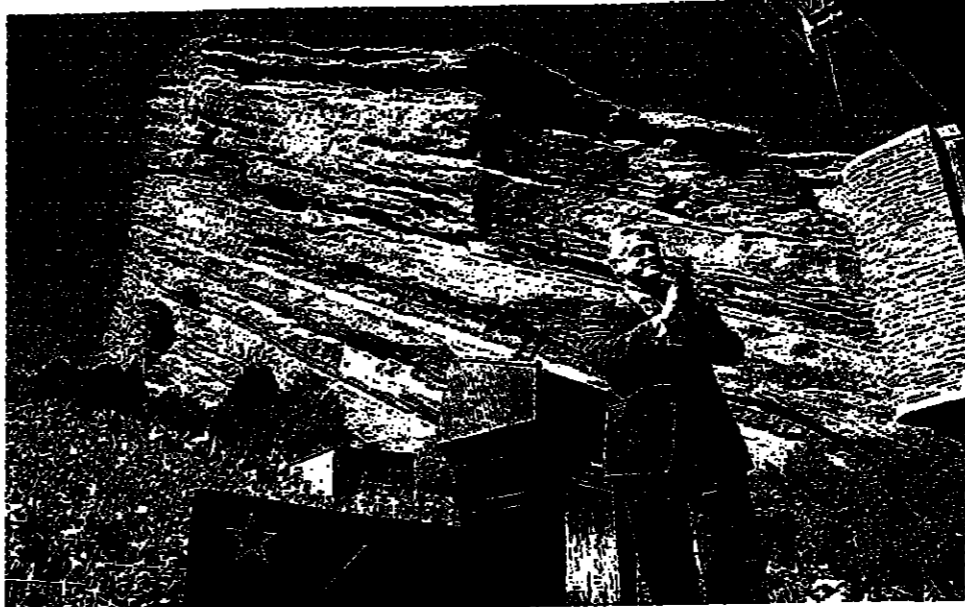
that way (or vice versa). He thinks checks and balances should be political as well as constitutional: and he is convinced that voters do too.

"Republicans aren't saying it, but that's really the dirty little secret" of this campaign, he says. "Americans like divided government. It's what makes the American system great."

In the 1990s, voters were delighted to put Republican President Ronald Reagan into the White House, while Democrats controlled Capitol Hill. That was a fruitful partnership which, among other things, helped bring an end to the cold war, he says. And the last two years of divided government have been no less productive.

Mr Scarborough believes voters will choose to perpetuate that partnership, and points to opinion polls which show that a surprisingly high number say they will vote on the basis of maintaining a political balance.

Only the November 5 result will prove whether voters are really so sophisticated. In principle, they may wish to preserve a balance. But in practice, even many Republican voters say they are fed up with the Republican Congress, and especially with the volatile freshmen, who promised a revolution but are best remembered for shutting down the federal government in a budget



Clinton in Colorado at the weekend: Republicans want to curb his liberal instincts

showdown late last year which proved a tactical disaster for their party.

Mr Scarborough admits the government shutdown caused a "public opinion meltdown" from which his party is still recovering. This has left Republicans afraid to defend themselves and their record, terrified of the charge that they are mean-spirited and dangerous to the elderly and vulnerable.

"So Newt Gingrich [the House speaker] appears on television draping zoo animals around his neck to

project a warm and cuddly image." Mr Scarborough complains, arguing that this tactic cannot succeed. "They will never love you. It's not the Republican party position to be loved."

"We scare people to death, but we're right!" he says. "We're right on taxes, we're right on the balanced budget, we're right on Medicare," he insists, arguing for drastic, painful and frightening action to tackle the financial crisis of the Medicare public health insurance fund for the elderly.

The congressman concedes that his party is losing the public relations battle over this issue: indeed in his home state of Florida, with its large retired population, frightened senior citizens may tip the state presidential vote to the Democrats for the first time in 20 years.

"Sure, the polls show that if you ask people who they want to run the country - Genghis Khan, the Antichrist, or the Republican party - we come in third," he says. "But at the micro level, we are winning. If you ask

them who they want as their congressman, Scarborough or Beck... they choose us."

His own seat certainly appears secure. One recent internal poll showed he had a 74 per cent approval rating in his district in the Florida Panhandle, known as the "Redneck Riviera". Mr Scarborough predicts that 40 or 50 Republican seats other than his own are in play, enough to destroy the party's control of the House.

Many of those are freshman seats, whose fate could well determine whether the Republican party keeps control of the House. Mr Scarborough thinks it will - for some of the same reasons, ironically, that Mr Clinton will probably be re-elected.

"America's in pretty good shape," he says, referring to the strong economy. "And who does that benefit? It benefits those in office," Republican and Democrat.

He insists Republicans can claim as much credit for that as Mr Clinton; by forcing him to restrain government spending, they have helped keep interest rates low and growth strong. "The irony is that we are helping each other in this race," he says. Republicans and Democrats, united on the campaign trail. Just like the Founding Fathers wanted things to be. And just fine with Joe Scarborough.

UK to take Chile to task on whisky duties

The British government intends to press for an end to what it sees as Chile's discriminatory duties on Scotch whisky when President Eduardo Frei visits the UK this week, Roderick Oram and Stephen Fidler report.

Mr Malcolm Rifkind, foreign secretary, has written to Mr José Miguel Insulza, his Chilean opposite number, to inform him that the issue will be raised, Mr Insulza is one of the ministers accompanying the president on the visit.

Fresh from their recent success when the World Trade Organisation told Japan to stop favouring local products, the distillers will also intensify their lobbying during Mr Frei's visit. Mr Tony Greener, chairman of Guinness, the largest distiller, will meet Mr Frei tomorrow.

By Christopher Parkes in Los Angeles

The Santa Monica freeway, the most travelled stretch of road in the US, has linked up with the information superhighway for a two-year test of an integrated traffic guidance system designed to increase driving speeds by 15 per cent.

The \$48m project, which has attracted interest from over-stretched traffic controllers across the US and Europe, electronically integrates the resources of seven state and local agencies.

The so-called "smart corridor" comprises a 17-mile stretch of the

east-west freeway, which daily carries about 350,000 vehicles between the central Los Angeles business district and the commercial centres on the city's Westside.

It is designed to optimise the capacity of five other east-west road links which, together with the freeway section, span an area of 65 square miles.

Although the freeway has speed limits of 55mph-65mph, the average speed is closer to 30mph.

A network linking several thousand roadside sensors, cameras, electronic signs and traffic lights flashes instant information on changes in traffic conditions to emergency services, broadcasters,

automatic phone information systems and an Internet web page which is updated every minute.

In the event of an accident, traffic controllers will be able to initiate computer programmes to divert traffic to alternative routes, where the phasing of traffic lights will be automatically adjusted to allow for the increased flow.

Timing mechanisms on meters, installed to regulate the rate at which cars join the Santa Monica freeway from other main arteries, will also be adjusted to allow for the changed conditions.

Highway Patrol and rescue services will be alerted to the location and nature of each incident.

Two roadside radio transmitters will immediately broadcast alerts on dedicated wavelengths. The 90 members of Traffic Information People, an association of mainly airborne trouble-spotters providing information services to local radio and TV stations, will also be connected to the system.

The programmes will automatically display appropriate information for drivers on overhead electronic warning signs.

The corridor is one of several congestion-clearing projects being tested on California roads, which rank among the busiest in the US. Route 110, for example, a north-south highway which crosses the

Santa Monica freeway close to the city centre, has a separate upper level reserved for cars carrying two or more passengers.

Further south, near San Diego, a 10-mile stretch of the Riverside freeway has been equipped with underground electronics to allow developers to test future generations of computerised car control and navigational systems.

The smart corridor trial follows five years of development and software integration work by the California state transport authority, the California Highway Patrol and five local agencies. More than 90 per cent of the cost has been covered by federal and state governments.

'Smart corridor' aims to speed up LA traffic

Friday, October 18
at 11:00 pm (French time)

New numbering plan in France

How to call numbers in France from another country.

On October 18, 1996 at 11:00 pm French time (9:00 pm UTC), France will switch to a new telephone numbering plan. These changes anticipate for the ever increasing volume of telecommunications traffic in France (new services, fax, mobile phones, etc.). This new plan provides a reserve of numbers for several decades to come and marks a further step towards harmonization with European directives and international recommendations.

This New Numbering Plan applies to all numbers you call in France. To call a number in France from another country, simply dial the country code 33, followed by a 9-digit number.

9 digits to call all numbers

To call Paris and the Paris region.
There are no changes. You will continue to dial the 9-digit number which begins with 1.
For example: +33 1

To call the "provinces" (other regions).
Depending on the location, dial 2, 3, 4 or 5 in front of the current number, which remains the same.

The digits to be added are shown on the area code map and in the area code table.
For example: +33 20 becomes +33 3 20

Add:	To the current number beginning with:	Add:	To the current number beginning with:	Add:	To the current number beginning with:
2	20	2	48	4	76
3	21	2	49	4	77
3	22	4	50	4	78
3	23	2	51	4	79
3	24	3	52	3	80
3	25	2	53	3	81
3	26	3	54	3	82
3	27	3	55	3	83
3	28	3	56	3	84
3	29	3	57	3	85
2	30	3	58	3	86
2	31	3	59	3	87
2	32	3	60	3	88
3	33	3	61	3	89
3	34	3	62	3	90
2	35	3	63	4	91
2	36	3	64	4	92
2	37	3	65	4	93
2	38	4	66	4	94
2	39	4	67	4	95
2	40	4	68	4	96
2	41	4	69	4	97
4	42	4	70	2	98
2	43	4	71	2	99
2	44	4	72	2	98
3	45	4	73	2	99
3	46	4	74	2	98
2	47	4	75		

To call mobile numbers and special services.
To call a mobile phone, dial 6 before the current 8-digit number.

To call special services (videotex, audiotex), dial 8 before the existing 8-digit numbers, which remain the same.

Add:	To the current number beginning with:	Add:	To the current number beginning with:
6	01	6	07
6	02	6	08
6	03	6	09
6	04	6	36

To call French overseas "départements" and territories (DOM - TOM).
There are no changes. You dial the 3-digit access code, followed by the 6-digit subscriber number.
For example: +590 for a number in Guadeloupe.

Remember...!
Don't forget to update your personal directories. If necessary, plan for the updates of all French numbers (including speed dialing) stored in your equipment: telephones, fax machines, modems, etc.

How to phone when you are in France.
For all calls within France, dial 0 before the 9-digit number. The domestic long distance access code: 16, will no longer be used. To call another country from France, dial 00 (instead of 19).

France Telecom

هكذا من الأهل

Missile maintenance may be contracted out under government finance initiative

Military looks to private sector

By Ross Tremain in London

The UK chief of Defence Procurement has launched a review to identify all military support operations that could be contracted out to the private sector.

The study, initiated by Sir Robert Walmsley, goes beyond the defence ministry's obligations under the government Private Finance Initiative because it embraces existing operations as well as new projects.

Among other ideas Sir Robert said manufacturers of guns and missiles may be invited to make a contracted number of weapons available for use by front-line troops, retaining responsibility for repairs and maintenance.

"At any one time we may have 30 per cent of our weapons in the repair and overhaul loop," he said. "It may be that the manufacturers can do it better." Sir Robert's enthusiasm for contracting out military support services marks a change of

pace within the Ministry of Defence which admits it has been slow to bring forward projects under the initiative - intended to attract private finance to public projects.

Although the Procurement Executive spends almost £5bn (\$9.36bn) a year on new equipment, and a further £2bn on supplies, only 18 projects, totalling £728m, are being prepared under the initiative. Earlier this month, in its biggest PFI deal to date, the ministry chose a consortium made up of Cob-

ham, Bristow Helicopter and Serco to train military helicopter pilots under a 15-year, £400m contract.

Sir Robert urged industrialists at a conference on Friday to produce more innovative schemes to help the ministry achieve better value for money.

Contracts for private companies to provide and maintain the ministry's on-road transport fleet are being drawn up or have been awarded.

A further 37 possible PFI

projects, worth more than £585m, have been identified, these include the provision of roll-off ferries, costing some £50m, for rapid deployment forces. The ministry believes costs might be cut if they were used for commercial services when not needed by the military.

Hydrographic ships for the Royal Navy, tank transporters for the army and air crew training simulators for the Royal Air Force have all been tabled as possible PFI projects.

US interest in Lloyd's agencies surges

By Jim Kelly in London

More than £1.7bn (\$2.7bn) of underwriting capacity at Lloyd's - 17 per cent of the market - is set to come under new management. That follows a flood of proposed acquisitions since the 308-year-old insurance market won UK government approval for its recovery plan 40 days ago.

US and Bermudan insurance groups have joined the surge of interest in Lloyd's managing agencies - the independent companies which have traditionally managed syndicates and appoint underwriters.

As a result it is estimated that around 70 per cent of Lloyd's managing agencies will be aligned to a separate investor compared with just 30 per cent at the end of last year, as big companies seek to bring their capital closer to the market.

While such investors can buy managing agencies, however, they cannot gain such easy access to the underwriting capacity of the syndicates they manage. Here the traditional individual investors - the Names - still hold around 70 per cent of the market capacity.

UK NEWS DIGEST

Accountancy firm opens rift

KPMG today opened up a split among the so-called Big Six accountancy firms by publishing a privately commissioned poll which showed that the directors of some of Britain's top companies want their auditors to publish full results.

The move will be widely seen by the rest of the Big Six as an attempt to embarrass those firms which have decided not to follow KPMG's lead in publishing full picture reports and accounts. Such an initiative is seen as an attempt to differentiate brand names in a market renowned for uniformity.

As partnerships, the Big Six, other than KPMG, are not required to disclose the kind of financial information expected from public companies - such as directors remuneration, profit figures, and information about assets.

Jim Kelly

INFORMATION TECHNOLOGY

Bank teams up with Microsoft

Barclays Bank is to become the first UK bank to link its computer banking services with Microsoft's Money 97 personal finance software.

Microsoft Money 97, which allows customers to analyse their finances and create budgeting graphics, is to go on sale in the UK in mid-November, packaged with a Barclays logo and with details of Barclays bank accounts.

In the US personal finance software market, Microsoft Money is still running a long way behind Intuit Inc's more established Quicken software. But in Europe the market is still nascent, and neither Microsoft nor Intuit has established a strong position.

George Graham

CABLE INDUSTRY

Nynex plans business network

Nynex CableComms, the UK's second largest cable company, is planning to create a "virtual" chamber of commerce for the region around the northern city of Manchester using fast modems, the Internet and its own cable networks. Details of the plan, believed to be the first of its type in the country, are due to be announced later this week.

A number of leading cable companies, including Telewest, the largest, are experimenting with cable modems that give subscribers access to the Internet at up to 300 times the speed of conventional telephone modems.

Raymond Snoddy

TEXTILES

Retailers 'most optimistic in EU'

The UK is the only country in Europe where the balance of textiles clothing and footwear retailers increased their orders in the first half of the year.

The upturn coincided with a generally improved outlook for British clothing and textiles manufacturers, according to a study published by the OETH, the industry's monitoring body funded by the European Union.

In a survey of 60,000 textiles clothing and footwear businesses, the OETH found that in the first quarter, 12 per cent more UK retailers planned to increase their orders than decrease them. By the second quarter this balance had risen to 30 per cent.

Jenny Luesby

MP's defection renews threat to government

By David Wighton, Political Correspondent

The government's survival was under renewed threat yesterday after one of its MPs defected to the centrist Liberal Democrat party in protest at attempts to suppress inquiries into political "sleaze".

The decision by Mr Peter Thurnham underlined cross-party concern at the government's handling of the latest allegations, which could leave the Conservatives' majority of two seats in the House of Commons vulnerable to a no-confidence vote.

Mr Tony Blair, leader of the Labour party, largest of the opposition parties, yesterday left open the option of calling for a no-confidence vote after parliament returns today.

Labour MPs said the crunch could come if the government resisted calls for a full public enquiry into the latest allegations. These include the claim that Mr David Willetts, then a Conservative whip, tried to influence a Commons committee investigating allegations against Mr Neil Hamilton, the former trade minister. Mr Thurnham said

More than half of Britain's managers want a change of government, mainly because they oppose the governing Conservative party's policy on Europe, according to a poll published today, Stefan Wagstyl writes.

The survey was carried out by the Institute of Management, the UK's leading managers' organisation.

It shows 56 per cent of executives believe it is time for a change of government. Some 68 per cent believe the government's policies on Europe have weakened the UK's position in the European Union and 72 per cent believe Tory party disagreements over Europe are adversely affecting British business in Europe.

he decided to quit the Conservative party last week following the release of a memo written by Mr Willetts suggesting ways the committee could handle the investigation.

"I cannot, above all, accept the latest attempts by the government to suppress inquiries into allegations of 'sleaze' which poison the very basis of our democracy," Mr Thurnham said.

Doubts raised over local trains on line to France

By Charles Batchelor, Transport Correspondent

Local train services on the £3bn (\$4.7bn) Channel tunnel rail link between London and the south-east coast of England are unlikely to be economically viable, Connex South East, the train operator which runs services in the region, has warned.

The local trains will have to share the 110km line with Eurostar trains from Paris and Brussels to London. The Eurostar trains will travel at up to 270kph on the English section of their journey, cutting 30 minutes off journey times.

Connex South East is an offshoot of the French water group, Compagnie Générale des Eaux. It has won the rail franchises for south-east and south-central England.

Expensive special trains will be needed on local services to match the high speeds of the Eurostar trains so as not to disrupt timetables. The trains must also meet stringent fire standards to run through the long tunnel into east London.

In addition, improvements to other commuter services to the newly privatised train operating companies in south-east England will mean that competing conventional routes will be able to offer a better service.

Channel tunnel high-speed link



Connex, which has been awarded a 15-year franchise to run services in the Kent and Sussex regions of southern England, will be given the first option to take over domestic services on the high-speed link when it opens in 2003. If the franchising director is not satisfied with the Connex proposal he can auction the high-speed domestic franchise.

Connex would be allowed to bid, and if unsuccessful it would be paid compensation for any loss of passengers from conventional routes.

Plans for domestic services on the line gave the government a justification for putting £1.4bn of public sector finance into the high-speed link project. Channel tunnel legislation forbade any public-sector contribution to international services.

"We would be compensated for any revenue loss from high-speed domestic services but we wonder how profitable these services would be," said Connex. "It is a fast line which needs expensive new rolling stock to merge with the Eurostar trains."

"We are continuing our studies but there is not a big volume of business from Ashford. There needs to be more economic development in Kent to increase passenger demand."

London & Continental Railways, which has the concession to build the high-speed line and operate Eurostar services, confirmed that domestic trains would have to be capable of high speeds, compatible with its signalling system and able to meet tough fire standards.

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MANAGEMENT

It is 10 years since Bombardier, a Quebec-based company best known for making snowmobiles, decided to go into the aircraft business.

Its aspiration to manufacture aircraft is widely shared: companies in Indonesia, China, Japan, Singapore and South Korea are trying to establish themselves in the aerospace sector. But while these Asian companies are still struggling to make a start, Bombardier has shown it is possible from modest beginnings to become a force in the world aerospace industry.

Since its start in aerospace a decade ago it has grown to become the world's fourth largest civil aircraft manufacturer after Boeing, Airbus Industrie and McDonnell Douglas.

That position was achieved operating from the politically uncertain base of Quebec while also manufacturing successfully amid the sectarian strife of Northern Ireland.

The group's aerospace revenues have increased from C\$228m in 1987 to C\$3.3bn (£1.56bn) last year. Aerospace profits have grown from C\$15.4m in 1987 to C\$150m last year. Aerospace now accounts for 50 per cent of Bombardier's turnover, with the rest coming from snowmobiles, motorboats and trains. Its trains are built for customers as diverse as the Ankara subway authority and Le Shuttle, which transports cars and passengers under the English Channel.

Bombardier's rapid growth in aerospace has been achieved by buying some of the proudest names in the industry: Short Brothers of Northern Ireland, Learjet of the US, and Canadair and de Havilland of Canada, all of which had fallen on hard times. It has maintained the separate names and identities of its acquisitions, but has introduced common financial reporting systems and is beginning to standardise manufacturing throughout the group.

Robert Brown, head of Bombardier's aerospace division, says the company has prospered by pursuing a strategy of never competing directly with Boeing and Airbus, the world's two leading aircraft-makers. The smallest Boeing and Airbus aircraft have more than 100 seats. The smallest Bombardier aircraft carries six passengers. The largest carries 50, although the company is developing 70-seat jets and turboprops.

Laurent Beaudoin, the group's chairman, says that in making acquisitions Bombardier has attempted both to acquire new aircraft and to eliminate competitors by absorbing them. When the UK government put Shorts up for sale in the late 1980s, for example, the Northern Ireland company had been considering building a regional jet. Bombardier was planning a regional jet too; buying Shorts meant there would be one less competitor.

Beaudoin says there are similarities between manufacturing trains and aircraft. "In both, you deal with a lot of components and you have to develop them to high quality standards." But the real reason Bombardier went into aerospace, he says, was that it had been looking for a new business to enter and the opportunity presented itself



Michael Skapinker charts the rapid take-off of Canadian group Bombardier's aerospace business

Planes, trains, snowmobiles

when the Canadian government decided to privatise Canadair in the mid-1980s.

Bombardier acquired Canadair, which made the Challenger business jet and water bombers, for C\$120m. The Canadian government wrote off Canadair's C\$1bn debt. Bombardier's competitors like to point to the large role that government financial assistance has played in the group's acquisitions. When Bombardier bought Shorts in 1989, it paid £30m and the UK government wrote off debts of £80m. When Bombardier acquired de Havilland from Boeing in 1992, the Canadian and Ontario governments provided financial assistance.

Not all of Bombardier's successes, however, can be put down to aid from public purses. It has handled its acquisitions carefully, tracing a fine line between recognising their individual histories and integrating them into the group. Under Boeing, the signs at de Havilland's factories had been changed to read Boeing

Canada. Bombardier put the de Havilland signs back up.

Brown says: "You're dealing with companies that have a strong and very long past." Shorts made aircraft for the Wright brothers. "When you talk to people at Shorts, you're talking to very proud people from generations of families that have worked there," he says.

Roy McNulty, Shorts' chairman, says the change from the inertia and bureaucracy of government ownership to being answerable to a quick-thinking private-sector group was refreshing in itself. Under UK government ownership, he says, Shorts was "so horrible you can't believe it". There had been little investment. The workers had had separate canteens from the management dating back to the 1930s.

All of Bombardier's acquisitions have had new investment. But a noticeable difference between the group's factories, both in Canada and in Northern

Ireland, and those of other aircraft manufacturers is how crowded the Bombardier facilities are. Every available piece of factory floor is filled with fuselage sections, wings and workers. Mezzanine platforms have been erected so that one set of employees can work on the top of the aircraft while others work on the bottom.

Apart from increasing productivity, Bombardier says it uses its factories intensively because, particularly in Canada, the buildings are expensive to heat.

Another reason is that Bombardier's financial controls encourage managers to use as much factory floor space as they can. Managers in all the aerospace subsidiaries receive bonuses for maximising return on assets, hence the reluctance to build new and unnecessary factories.

The group is introducing another area of uniformity - its manufacturing system. John Holding, executive vice-president for engineering, says this is being

done through a programme of internal benchmarking, looking for best practice among the subsidiaries and applying them to the group.

Shorts is highly regarded for its use of composite materials, de Havilland for its work in reducing turboprop noise, Learjet for its flight testing and Canadair for its computational fluid dynamics, which assists the study of air flow around the aircraft. The group is developing a single manufacturing system from what is the best available internally.

The most recent Bombardier aircraft, the Global Express, a long-range business jet unveiled in August, provided the group with a chance to integrate itself further. Although there are several examples of subsidiaries manufacturing components for each other's aircraft, the Global Express was the first aircraft to be presented as a Bombardier product rather than one associated with one of its acquired companies.

The Global Express will face strong competition, however, both from the US-built Gulfstream V and a new business jet being built by Boeing and General Electric of the US. Although the Boeing-GE aircraft, a redesigned 737, is substantially bigger than the Global Express, it will be offered for the same price - about \$36m (£22.4m).

This could confound Bombardier's determination not to be drawn into direct competition with Boeing and Airbus. In addition to competition from the new Boeing business jet, Airbus is expected to absorb European companies making smaller aircraft which compete directly with Bombardier.

The strategy of acquiring once-illustrious companies also appears to be running out of steam. Bombardier was the frontrunner to acquire Fokker of the Netherlands, which went bankrupt earlier this year. But Bombardier decided not to buy Fokker because, Beaudoin says, the cost of manufacturing in the Netherlands was too high.

One Canadian analyst says the lack of possible new acquisitions should not be cause for concern. "They're not only growing as a result of what they've bought, but also as a result of what they have within the company," Bombardier, he says, has grown to the point where it may no longer need to rely on picking up distressed assets from desperate sellers.

One thing that won't stop Bombardier, Beaudoin says, is the political situation in the countries in which it operates. Although disappointed by the ending of the IRA ceasefire, he says the group has weathered several difficult periods in Northern Ireland since it bought Shorts.

As a vocal Canadian federalist, he worries about the effect that Quebec separatism has on investment. But Beaudoin says Bombardier has no intention of abandoning its base. "We employ 14,000 people in Quebec," he says. "Whatever happens to the province, people are still going to have to work."

Additional reporting by Bernard Simon



On good form: Jonathan Sparks (left) and Michael Spencer

PARTNERS City Index

Jonathan Sparks, 48, set up City Index, a spread betting company, in 1983. Michael Spencer, 41, chairman of the InterCapital Group, became a partner in 1994. City Index, which had profits last year of £1.5m, is merging with its rival, Sporting Index. In spread betting, the operators quote a variety of sporting, financial or other results, and customers bet high or low, whereas conventional bookmakers quote specific odds against a particular outcome.

Jonathan: "I met Spence when he was a punter in the late seventies. I was working for Coral Index and he was one of our cleverer, hotter clients. He was particularly strong on the Dow and would come in and scalp the market."

He's highly mathematical and always takes a positive view. He's got lots of bottle to take on big clients and won't shrink away when positions build up. I've got more experience in following and trading sporting positions than him, whereas he knows more about the financial markets.

It was his suggestion to make a market in the monthly non-farm payroll figures. Spence likes that sort of thing because the numbers can vary hugely. He sees the big picture rather than involving himself in the fine-tuning. He can spot quantum leaps forward in terms of expansion and then it's my job to put it into practice. At times it's like riding a bucking bronco because he doesn't stop having ideas.

He's the mercurial genius, I'm the pragmatic one who gets the trading orchestrated. We've never had a major upset because our characters are different. While he's quite capable of exploding, I'm the type who likes to back away

from confrontation and put the pieces together when everything is calmer."

Michael: "Sparky's knowledge of horseracing is encyclopaedic. He can tell you which horse won which race 20 or 30 years ago. In fact, the only time I've ever won money on racing is when I've been with him. He's a very, very sharp oddsmaker and no slouch when it comes to calculations."

He's not a typical loud-mouthed bookmaker. He's very much a gentleman, a nice guy, with a slightly wicked edge. He's actually quite a cautious person, whereas I year towards being impetuous. During my frenzied gambling days in the seventies, we went to a charity meeting at Sandown together, where Cartier had put on a huge display of their jewellery. When Joanna Lumley walked into the marquee, modelling the gems, I decided to make a market in their price and lost a considerable amount of money. Jonathan would never make a mistake like that.

Whereas I'm foolhardy, he's the exact opposite. In all the years I've known him, I've never known him make a price in something and be substantially wrong. One of his great strengths is that he doesn't get sucked into the excitement of the moment, or get carried away.

I value his advice and would never do something that his thought was a bad idea. He runs the company on a day-to-day level and I keep my involvement to that of friend, adviser, consultant and enthusiastic supporter, which suits us both.

We haven't always agreed, but then we haven't rowed either. There's 110 per cent trust between us and a genuine friendship that has lasted 20 years."

Fiona Lafferty

Alien life on the planet boardroom

Will Luther John Clark, the sacked executive of BET, find another job? Or is he too old to be able to compete with the thirtysomethings who increasingly are being chosen to run our finest companies?

This appeared to be the crux of the argument in court last week about whether Clark deserves the £4m he is claiming in compensation for unfair dismissal. As a drama this one has everything: greed, anger, jealousy and plenty of nasty goings-on in the boardroom. But above all it is a tale of friendship, the friendship of the right honourable Lord Tebbit.

Until last Wednesday the story was as follows: Rentokil takes over BET after bitter fight, sacks Clark who amazes the world with

his ever-growing compensation claims. But just as one felt that Clark must be the greediest (or most vengeful) person on earth, in rides Lord Tebbit to defend him. From Tebbit we learn about Clark's marvellous performance at BET, about the high-handed way in which his Rentokil rival, Sir Clive Thompson, dismissed him, about the fairness of his claim. And then we hear that at his age, Clark will find it very difficult to get another job. One was almost starting to feel sorry for him.

Certainly Clark does not have age on his side. However there are still some relative oldies landing chief executive positions. But what stands against Clark more than his age (which in any case puts him at only two years older than his arch-enemy, Sir Clive) is his reputation, which is not quite



Lucy Kellaway

as dazzling as it used to be. If the worst comes to the worst he could always pick up a clutch of consultancies and non-executive positions. If Lord Tebbit could only stop being quite so loyal he would remember that it is not so hard to find work. Just a matter of getting on one's bike.

Most bizarre of all was Lord Tebbit's claim to the court that Clark's extensive network of contacts would be of no help whatsoever, because the old-boy net-

work does not exist any more. Either he is on another planet, or I am.

I have just noticed something sad in our staff canteen. The little bottles of red and white wine and the cans of lager have disappeared. I don't think I ever actually bought one of them, and I hardly ever spotted colleagues

buying them either. But that is not the point. It was nice to know they were there. Yet now the Financial Times has decided that it is inappropriate for the company to be encouraging us to drink at lunchtime, so it has called time.

In doing this, the FT is at least five years behind the fashion. In 1990 Imperial Chemical Industries caused a stir by closing its company bar and banning alcohol from its private dining rooms. Since then much of blue-chip Britain has followed.

And now it's our turn. Of course, I realise that alcohol is dangerous and that too much booze may impair one's ability to work. But being able to buy a quarter-bottle of indifferent wine to eat with your spotted dick does not strike me as undue temptation. And even if one were

to submit to it, I doubt if it would involve a grave risk to efficiency.

At least on this issue I find myself in full agreement with Lord Tebbit. When the question of banning all booze came before the BT board a few years ago, Tebbit (who is also a non-exec of BT) knocked the idea on the head. Doubtless he felt that to introduce office rules on alcohol was to treat employees like children. One might also say that it sits oddly with that other great corporate trend: empowerment, which if it means anything at all, means giving people responsibility for their own actions.

I have been reading the adjudicator's annual report on the Inland Revenue, Customs and Excise

and Contributions Agency. Not a particularly exciting read, you might think. But you would be wrong. Inside are claims of incompetence, tactlessness, stupidity, defensiveness, unhelpfulness, carelessness, overbearing behaviour and poor communications in the way in which these departments deal with complaints from customers.

And how do Customs and Excise and the Inland Revenue respond to this criticism? By putting out press releases which first gloat over the positive parts of the adjudicator's report before turning to the less complimentary passages. Rule one when it comes to handling legitimate complaints is to say sorry. If the organisations don't know how to do this, it is hard to see how they are going to teach this trick to their employees.

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No demons as Damon coasts sweetly home

In the end, Britain's Damon Hill clinched the world motor racing title yesterday with almost exaggerated poise and ease, coasting to a masterful victory in the Japanese grand prix at Suzuka to become the first son of a former champion to win the title.

Hill did not botch the start. Did not bump a rival. Did not slide off the track. Nor did the sometimes accident-prone 36-year-old and his Williams-Renault car vanish suddenly in a hole in time-space, never to be seen again. Instead, driving almost faultlessly, Hill led from start to finish, winning the race and the drivers' title with thrilling imperturbability.

Hill knew he had won the championship 15 laps from the end of the 52-lap race when his only rival for the title, Williams team-mate Jacques Villeneuve of Canada, crashed out. The right rear wheel of Villeneuve's car worked itself loose, bounced off the car and flew past the Canadian, who was unhurt. Villeneuve was in fifth place at the time - virtually without hope of overtaking Hill in the overall standings.

The most succinct and least sentimental commentary on yesterday's title-

clinching performance came from a London bookmaking firm which, seconds after Hill had taken the chequered flag at Suzuka, quoted the dark-browed Englishman as 5-4 favourite to win this year's BBC TV Sports Personality of the Year award - but a dismal 100-1 to retain his title next year.

Recently, Hill was sacked from the Williams team, reportedly for wanting too much money, in much the same way that the services of former Williams driving ace Nigel Mansell and Alain Prost were dispensed with by team boss Frank Williams. The Williams team have won the world motor racing constructors' championship six times, and the Williams proprietor has no doubt that the most important factor in Formula One racing is the car and its designers, not the driver.

As a result, Hill will be turning out for the new TWR Arrows outfit next season, and is thought unlikely to win the world title again. However, his association with Williams has given him some impressive career statistics, including 21 Formula One wins from 67 starts; a wins-to-starts ratio inferior only to that of five-times champion Juan Manuel Fangio and two-times champion Jim Clark.

Among former British champions, for example, Mansell, who was world champion in 1992, won 31 of 187 races; Jackie Stewart (1969, 1971 and 1973), 27 of 99; and Graham Hill, Damon's father (1962 and 1968), 14 of 176. Clark, who was world champion in 1963 and 1965, won 25 of 72 races.

Germany's Michael Schumacher finished second in yesterday's race, ensuring that Ferrari took second place in the constructors' championship, two points ahead of Benetton-Renault.

■ It must be tough - even weird - being a 20-year-old in the peer-shaped world of professional golf, as Tiger Woods is discovering. Woods is the best thing to happen to pro golf for many a year, but at 20 he may have at least a decade to go before he feels he fits in.

Woods, a record three-time US Amateur champion, turned pro at the end of August and is already, thanks to commercial tie-ups and endorsements, an extremely rich young swinger.

Fresh from his first professional victory in the Las Vegas Invitational eight days ago, when he beat Davis Love III in a playoff,

Woods was in no doubt how he hoped to perform in the Texas Open, which was finishing yesterday. He said: "Every tournament I go to I try to win flat out. You don't ever want to be a loser. You want to be a winner." The Texas Open was Woods' fifth tournament since turning pro. Each time out, he has moved into a silkier gear. He finished 60th in the Greater Milwaukee Open, 11th in the Canadian Open, fifth in the Quad City Classic and third in the BC Open before winning in Las Vegas.

After his first five tournaments his winnings stood at \$437,194, placing him 40th on the US PGA money list and thus in sight of the top-30 finish he needs overall to qualify for the prestigious, season-ending US Tour Championship.

"I've been playing awfully well," Woods said last week, "and it makes it a lot easier to be out there when I'm playing real well." The hardest thing to cope with was that no one was his age.

Anyway, Woods should be careful in *The Art of Golf*, published in 1897. Sir Walter Simpson wrote that golf suited all sorts of men: strong or weak, octogenarian or boy, rich or poor, clergyman or infidel. But the game had its drawbacks. Sir Walter had observed a golfer "very angry" at seeing his ball deflected into a bunker after it had struck and killed a bird. Among over-avid golfers, nature lost her significance. Larks or buzzing bees were hateful; rain was regarded solely in its relation to the greens; daisies were detested; winds ceased to be east, south, west or north but were ahead, behind or sideways; the sky



Thumbs up: Damon Hill after yesterday's Formula One title-clinching victory in Japan

was merely bright or dark, according to the state of the game. In short, too much golf destroyed the mind.

■ Last week's fiasco in Tallinn, in which Estonia's soccer team failed to turn out for a World Cup qualifier against Scotland because of a row about floodlights, was sad enough. Worse, the poor Estonians would have gained a bonus equal to six

weeks' wages per player - 15,000 Estonian crowns, about \$350 - if they had beaten the Scots.

"The players are on a bonus of 15,000 Estonian crowns for each win in the World Cup," explained Estonian FA official Aivar Pohlak, who is also president of one of Estonia's top clubs.

I have won pots of money from the bookies recently, so I think I will row against the flow by supporting Estonia

in all future adventures. Britain's bookmaking firms are still shell-shocked by their losses on jockey Frankie Dettori's unprecedented seven winners at Ascot two weeks ago, so it is hard getting sense out of them.

But as soon as they organise their minds once more and quote fair odds against Estonia winning any of their remaining Group 4 matches - or even showing up - I will spring on them.

Colin Amery · Architecture

Dubrovnik's battle-scarred beauty

Seen from the sea in the low early autumn light of the Adriatic, Dubrovnik is one of the pearls of western civilisation. Everyone compares it to Venice, and they are right, for it is a total architectural experience.

From the sea, the eye is drawn to the curved stone walls of the St John fortress, which links into the stone walls of the city - the same walls that were recently bombarded from the sea in the dreadful conflict with Serbia.

Slowly Dubrovnik and the rest of Croatia are recovering from the war, but the damage was terrible and the international effort to restore and repair the buildings is slow and, sometimes for

political reasons, cautious.

The International Trust for Croatian Monuments, which is showing an exhibition at the Royal Academy in London until November 4, is faced with a stiff task in ensuring that the monuments and great buildings of Croatia are restored. In Dubrovnik, some 70 per cent of the roofs of the old city were destroyed, and they are only gradually being restored.

It is not only buildings but also

collections that are in jeopardy.

The city's great scientific library is still kept in 97 metal cases in a bank vault because there is nowhere to house it. The magnificent books of the Franciscan library, which used to be visited by at least 1,000 scholars a year, are stored in a corner of the monks' refectory, the monastery having received several highly damaging direct hits.

The abbot is tired of people coming to see him, marvelling at

the wall paintings and then disappearing again without helping financially or in a practical way.

In the London exhibition, views by six leading artists paint a roster picture of war-damaged Dubrovnik that is perhaps justified. Norman Ackroyd, Anthony Eyton, Donald Hamilton Fraser, Paul Hogarth, Ken Howard and Brendan Neilland were all sent to paint the city, and they were clearly moved by what they saw.

As Brendan Neilland says: "I

spent my time walking the walls, the streets, narrow passageways and steps - many, many steps - visiting some of the 70 churches, being mesmerised by the sparkling Adriatic and the richness of the sunsets and resting in the tranquility of the two monastery cloisters."

To the south and the north of the city, whole historic villages endured dreadful looting and burning. Cilipi and Slano are far from recovered, and the arbore-

tum near Trsteno has returned to nature. There is a great need for specialist restorers of paintings and frescoes, as well as for architects and craftsmen.

Inland from the damaged coastal towns the need is for help towards the reconstruction of churches, many of which date from the 9th century.

In the coastal part of Croatia that was cut off during the war from the rest of the country, the churches were clearly made tar-

gets for destruction. Some 14 important churches need to be rebuilt.

It is important not to forget the cities and monuments of Croatia, which were once much visited by tourists. In fact, it is now safe to return to the Dalmatian coast and gradually the hotel accommodation is being repaired and rebuilt. The European Bank for Reconstruction and Development has made a \$20m loan to start work on the hotels of the region.

This was a European war, and these are neighbours who need our help. Modestly, the Croats have underplayed their needs, although their wounds are great. We must help them to the best of our abilities.



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BUSINESS TRAVEL

Travel News • Roger Bray

Cape confidence

The average price of a hotel room in Cape Town rose more than a quarter last year in US dollar terms. As interest in South Africa picked up following the election of President Nelson Mandela, the city's hoteliers found business easier to come by, filling 10 per cent more rooms than in 1994. A survey by consultants Pannell Kerr Forster Associates found that the amount paid for a room, as opposed to the published rack rate, rose 29 per cent to \$125.99 (£81) per night. The report on city hotels

in Africa and the Middle East shows this was the third highest average price in the two regions, behind Kuwait (\$199.44 per night) and Tel Aviv (\$149.03).

Some like it hot

High-octane curries will come with warnings when London Heathrow's first Indian restaurant, called Noon, opens next week. BAA, the privatised airports operator, says: "Very hot dishes will probably be offered as specials, but we are mindful of the fact that many passengers from

overseas are not as accustomed as the British to spicy curries."

Split on alliance

Would an alliance between British Airways and American Airlines stifle competition? The men and women who organise business travel appear split. Research by travel management group Rosenbluth International among the delegates at the recent Association of Corporate Travel Executives conference in Madrid revealed that 32 per cent of those questioned felt such deals were anti-competitive, while 22 per cent feared

such alliances reduced consumer choice.

Fares tumble

Freedom of the skies is suddenly having a significant impact in Europe. Low-cost UK airline Debonair plans to introduce an extended web-of-routes next month. From November 21 it will fly daily scheduled services linking Rome with Munich, Copenhagen and Barcelona. Customers will also be able to fly between Munich and Copenhagen. On the same day the airline is due to start flights between its home base at Luton, north of London, and Rome's

Ciampino airport. Fares will start at £69 one-way.

Big spender

British Telecommunications is one of Britain's biggest spenders on business travel, according to a survey of the FT-SE 100 companies by Travel Trade Gazette. With an estimated annual spend of about £30m, it is second only to British Petroleum. Other high spenders include Glaxo Wellcome (£26m) and Unilever (£21m).

Ukraine flights

Ukraine International Airlines plans to start an all-business class service

between Kiev and Donetsk, in the far south-east of the country.

Donetsk, previously known as Yuzovska, is the main centre of the Donbas, or Donets basin, a coal mining and industrial belt.

Paris takes off

Paris attracts more international conferences than any other city, figures from the Union of International Associations show. Last year 332 such meetings took place there compared with 200 in Vienna and 192 in London. New York pipped Washington as the leading US choice.

Likely weather in the leading business centres

City	Mon	Tue	Wed	Thu	Fri
London	19	20	18	17	16
Paris	19	20	18	17	16
Frankfurt	17	17	17	17	17
Amsterdam	17	17	17	17	17
L. Angeles	24	24	24	24	24
San Francisco	18	18	18	18	18
Beirut	19	18	18	18	18
Damascus	19	18	18	18	18

BEIRUT DAMASCUS Amman 0345 320100

Part-ownership schemes make it cheaper than it sounds – and you can avoid terminals and timetables, says Roger Bray

Beat the rush... buy a jet

Property timeshare may suffer from a tarnished image among those who have been hassled in Tenerife, but jet timeshare is finding favour with senior company executives who need to travel on demand. Their version of timeshare, which frees them from the discomfort of crowded airport terminals and the tyranny of timetables, involves part-ownership of an executive jet. Need to hop between a series of unavoidable meetings in London, Rotterdam and Frankfurt? Travelling by private aircraft, you might just squeeze them all into a single day. The problem is the price. A Cessna Citation S/11 can cost about \$2.6m (£1.6m). Operating it can cost another \$500,000 a year. A timeshare or "fractional ownership programme" is hardly cheap, either, but the cost appears nowhere near as daunting as owning your

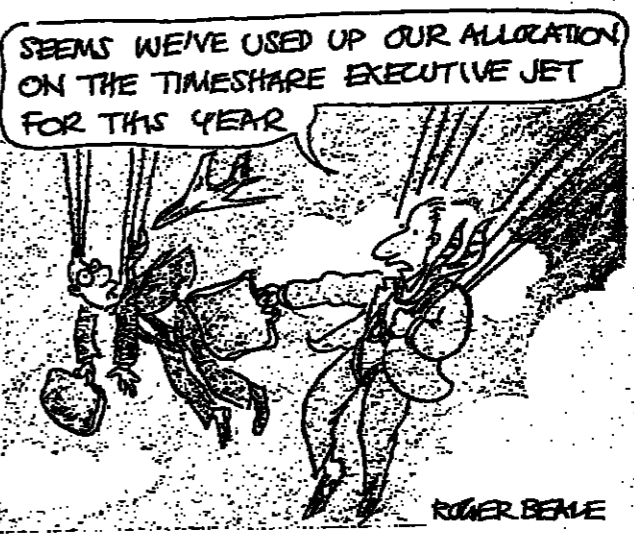
own jet outright. You could pay as little as one-eighth of the purchase price, with a monthly management fee of under \$10,000 a month – covering pilots, insurance, training, hangar and administration – and a certain amount per flying hour. Jet timeshare was pioneered by Richard T. Sarulli, former head of the Goldman Sachs Leasing Corporation, who founded Executive Jet Aviation in the late 1980s. It started slowly, but as the US emerged from recession, demand soared. In the past two years the company has ordered aircraft worth \$1.7bn. It already operates a fleet of 85 business jets and has a further 45 on order. Based in Columbus, Ohio, it markets part-ownership under the label NetJet. Its

principal competitor is Business Jet Solutions, a joint venture between Bombardier and AMR, which owns American Airlines. NetJet has started operating on Europe's side of the Atlantic and, even as it gets its programme under way, a British entrepreneur with a roughly similar operation is about to start flying his first customers – in helicopters. Former flying instructor Tony Easton, who also runs a helicopter charter and heavy transport aircraft broking business, points out that spending £30,000 on a one-seventh share in a new, four-passenger Bell JetRanger compares favourably with buying a top-of-the-range saloon car. Extras come to a little more than those for a company BMW. On top of the

ownership price you pay about £2,000 a month for insurance, hangar space, crew, maintenance and management. But Easton's group – First Helix-Net – guarantees a residual value for the machine when your five-year contract ends, and if it needs an expensive replacement part such as a new gearbox, you do not have to pay for it. "We have 11 customers signed up, ranging from blue-chip companies to wealthy private individuals," says Easton. His company is offering a variety of helicopters, including two types of Agusta. Its first operating base will be at Farnborough in Hampshire but it is looking at others near Manchester and in Belfast. NetJet promises to make an aircraft available across

most of Europe within 10 hours for those who buy one eighth – or within six hours to those holding larger shares. The flying hours clock starts ticking six minutes before you take off and stops six minutes after you land. One-eighth of a Citation S/11 costs \$330,000. Operational charges are \$9,750 a month and \$1,950 for each of an average 75 flying hours a year, with both sums adjustable according to the OECD consumer price index on January 1 each year. After two years, the company promises to buy your share back at a fair market price. How does it compare with the cost of buying airline tickets? It is a tricky comparison, but suppose we take the price of a business class

fare between London and Geneva and assume your Citation flies with a full complement of seven passengers every time it takes off. The operational cost alone of 75 hours by timeshare jet would be about £13,400 per executive per year. The price of flying with British Airways, say, would work out at £10,150. NetJet has already sold the use of its first European plane to six sharers and expects to increase its fleet on this side of the Atlantic by five or six jets a year. Kevin Russell, senior vice-president of Executive Jet, readily agrees that the cost of fractional ownership cannot compete with that of airline tickets, particularly when it comes to one of the company's Gulfstream 45Ps, in which even a one-eighth



share costs about \$3.6m. Its advantages lie elsewhere, he says. "If you needed to fly from London to meetings in Brussels and Zurich and get back in a single day it would probably be impossible by commercial airline. With an executive jet you could be back in the UK in time for dinner. And whether you buy timeshare here or in the US you can always have a business aircraft waiting to pick you up when you step off a trans-Atlantic flight."

How to curb the costly paperchase

Another business trip, another round of ordering foreign exchange, collecting receipts and filling in expense forms. This laborious process can take up a lot of time and since time is money, it contributes to the overall cost of business travel, according to American Express. US companies spend an additional 10 per cent of their travel budget on indirect costs, according to its recent survey. The proportion is higher for smaller

companies, accounting on average for 30 per cent, according to the survey of 1,288 US-based private companies. The largest indirect cost is that of completing and processing expense reports. In most European companies, travellers will complete an average of 20 forms a year, usually by hand.

Just under half the US companies said that keeping costs down was the priority. But at the same time, the number of business travellers is rising. One in five employees travelled on business in 1994 compared with more than one in four today, according to the survey. Moreover, direct costs such as

flights and hotels are already under tight control. More than three-quarters of the companies surveyed required employees to take the lowest available airfare and almost two-thirds expected them to stay at hotels where the company negotiated discounted rates. Senior executive privileges are also in decline, with fewer

companies allowing exemption from the policy. The pressure of increasing travel and curbing costs is shifting the emphasis to cutting indirect costs. Vahan Eminian, head of corporate services for Europe at American Express, says: "Companies are right to focus now on indirect costs. Reducing

previously hidden processing costs of business travel represents one of the most important opportunities companies have in the 1990s to deliver substantial savings on operating costs." In Europe, companies spend about 8 per cent of their total travel budget on processing costs. American Express says

this can be brought down to 2 per cent if companies use automated booking and expense reports and corporate cards. Amex expects business travel spending in the US to increase this year from \$150bn in 1995 to \$156bn. The good news for travellers is that companies appear more willing to allow them to fly business class.

Scheherazade Daneshkhu




CHINA CONNECTIONS



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ARTS GUIDE

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ARTS

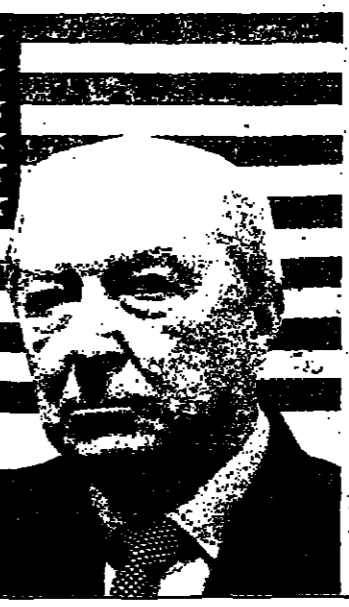
VIENNA... The Vienna Kammeroper is first of the main theatres to have a production staged by English...

LONDON... The Royal Ballet opens its season at Covent Garden on Friday with a programme of four ballets to Royal music...



The Raphael Gallery at the Victoria and Albert Museum, housing the seven massive tapestry cartoons by Raphael, reopens on Saturday after four years of refurbishment...

NEW YORK... The Jasper Johns retrospective opening at the Museum of Modern Art on Sunday is the most comprehensive survey ever held of this influential American artist...



WEXFORD... The year's festival comprises Donizetti's Parisina, Meyerbeer's L'Étoile du Nord and Fitch's Sarka... PARIS... Picasso and Portraiture was rapturously received when it was shown in New York earlier this year...

Opera in San Francisco/Timothy Pfaff All shook up

The San Francisco Opera's current season will doubtless be remembered as a period in the idleness. Exiled from War Memorial Opera House while earthquake damage is repaired, the company is presenting its 10-era season in two nearby venues: the intimate, slightly cramped Orpheum Theatre, and a cavernous Civic Auditorium, which was the Opera's first home in the 1920s...

But even the performing space and its attendant problems could not excuse a dull and often incompetent production: the Lohengrin director, Laurie Feldman, proved incapable of staging even a straightforward bridal procession. As has been true for a number of seasons, the real liability at the San Francisco Opera is the company's staging policy...

that of the designer Gerard Howard, commissioned to oversee the refurbishing of the Civic and design Ambrose Thomas's Hamlet at the Orpheum. What he came up with was an empty collection of operatic clichés - mostly off-kilter floors - which inhibited Colin Graham's production. Ruth Ann Swenson's Ophelia, the single unambiguous glory of that strongly-cast Hamlet, went from a master-class mad scene to a risible, theatrically soggy drowning...



Matinee-idol melancholy: Thomas Hampson in the title role of Hamlet

'Sex god' fails to impress

Joaquin Cortés's Gypsy Passion is a show which prides itself on doing for flamenco what Riverdance did for Irish step dancing. Crass commercialism aside, the most eyebrow-raising feature of the hype accompanying this arena entertainment into the Albert Hall has been the deification of Cortés himself. Such cheapjack puffery as "the new Valentino" goes hand-in-hand with the celebrity headcount school of endorsement: Naomi Campbell, Steven Berkoff and Eric Clapton, we are informed, have all been spotted at Gypsy Passion...

At Milan, Luciano Berio's new "opera" Outis has scored an enormous success - at least in the Italian press. Its intended premiere was defeated by one of Scala's regular house strikes. The actual premiere was eventually given before an audience of students and workers (plus the press), who were fascinated and appreciative. I attended the second-half performance, with a more normal Scala audience; many of them disappeared before the second half, and the final applause was half-hearted...

Berio's operatic odyssey David Murray reviews the first production of 'Outis' at La Scala

around long enough (he turns 71 next week) to become a national figure. An extensive celebration of his music has been going on in Milan for almost two weeks, besides Graham Vick's production of Outis - which must surely be seen in London, once our opera houses have re-opened. Many of us remember Vick's Covent Garden staging of Berio's Un re in ascolto with pleasure and admiration; what he has done with Outis is every bit as impressive...

Though scenes and situations are suggested in the libretto, how they are to be filled out on stage is left to the producer's imagination. Vick has matched Berio's ravishing score with brilliant visual inventions. Outis consists of five "cycles". Each begins with Outis (who is both Ulysses and Berio himself) silhouetted against a cinematic northern seascape, and suddenly slain by his son Isaac; but one Outis falls, and another always remains standing, rather like Birtwistle's hero in The Mask of Orpheus.

In each cycle, the live Outis then wanders into a new scene: a bizarre auction, a banking hall which turns into a brothel, an "oneiric" supermarket, a piazza with children, mothers and a grotesque warmonger - shades of Stockhausen's Montag and Freitag operas! - and lastly a cruise ship (a touch of Fellini there). By way of epilogue, Outis, his constant love Emily and their doubles sing a "concerto for four voices" with two pianos onstage. Only Outis remains as the lights go down...

Berio's vocal lines invite real sfumato; some of it is intrinsically dramatic, but much more is reflective, warm, gently melancholy. Rich passages for strings reach candidly back to Mahler. The score uses some electronics which slip seamlessly in, and Berio's beloved Swingle Singers figure throughout though probably none of the ones who premiered his famous Sinfonia in 1968. There are fewer grand effects than in his La vera storia or even Un re in ascolto; here his most delectable inventions are chamber-scale (for two violins, for a soulful cello, for a yearning saxophone and a subtle and pungent sounds from double bass).

all with what seemed to be unimpeachable finesse. Alan Ople was an Outis of fine, resigned feeling and musicianship; other Brits on hand were Donald Maxwell and Peter Hall, both striking bright sparks in character-roles. Tatiana Poluektova took naturally to Emily's luscious music, as did Luisa Castellani, Monica Bacelli and Elena Brilova in roles almost as prominent. Yelda Kodally's high-flying soprano was admirable, and that unique counter-tenor Dominique Visse was brought in for a haunting quasi-folksong in just one scene. With Timothy O'Brien's intriguing sets stunningly lit by Wolfgang Goebel, and a lively chorus, Vick managed to find vivid images for everything. The "brothel" scene - which looked more like a vision of preening narcissists - incidentally brought male nudes to La Scala's stage for the first time. The amount of clothing worn by the various performers there was inversely proportional to their physical allure: Vick is a practical man of the theatre.

Sophie Constanti

INTERNATIONAL ARTS GUIDE AMSTERDAM... BARCELONA... BERLIN... Includes details for various opera houses and festivals.

BRUSSELS... CHICAGO... Includes details for the Musée d'Art Moderne and Smokay Joe's Café.

JERUSALEM... LONDON... Includes details for the Israel Museum and the Royal Festival Hall.

LOS ANGELES... Includes details for the J. Paul Getty Museum.

NEW YORK... PARIS... Includes details for Avery Fisher Hall and Musée d'Orsay.

TOKYO... WASHINGTON... Includes details for Suntory Hall and Terrace Theater.

WORLD SERVICE... EUROPEAN CABLE AND SATELLITE BUSINESS TV... MONDAY TO FRIDAY... Includes details for BBC, FT Business Morning, and various news services.

COMMENT & ANALYSIS

FINANCIAL TIMES

Number One Southwark Bridge, London SE1 9HL
Tel: +44 171-873 3000 Telex: 922186 Fax: +44 171-407 5700
Monday October 14 1996

New money for Europe

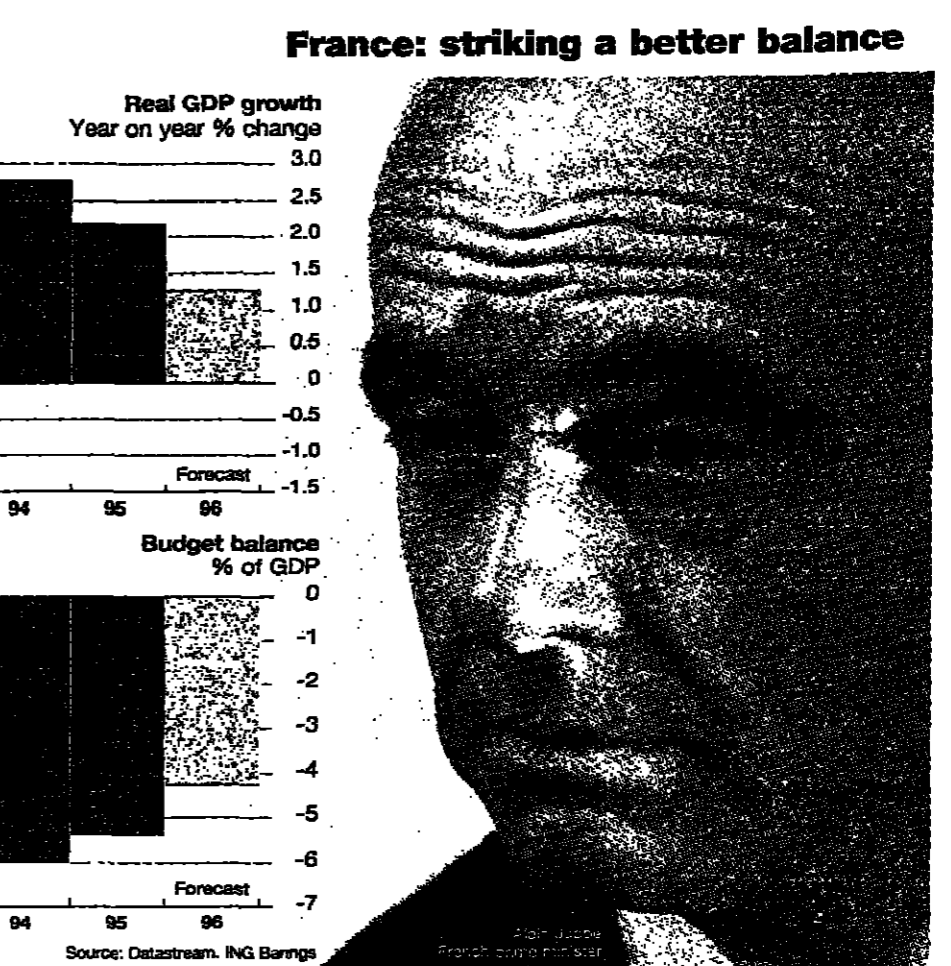
Britain's voters may soon find themselves choosing a government without knowing what either candidate would do about the most important issue facing the country.
The Conservative and Labour parties are so deeply divided on European monetary union that neither is prepared to risk serious debate. Britain cannot decide formally until next year whether to join Emu as a founder member in 1999. But enough is now known about how it will work and which nations are likely to join in 1999 for a choice to be made in principle.
The issue is not simple. Emu is the expression of a grand vision beset by difficulties. It derives from the same ideal of nations working in harmony which created the common market from the wreckage of war. The ideal of a united Europe was shared not only by Jean Monnet, architect of the European Coal and Steel Community in 1951, but also by Winston Churchill who proposed a political union for continental Europe in 1946.
These considerations might seem distant from the economic arguments about Emu. But it is crucial to understand the strength of political conviction in continental Europe, particularly in France and Germany, which is propelling the union towards closer ties and a common currency.

Serious risks

Emu is therefore not only a technical matter but part of a historic process. This is not to belittle the economic difficulties, which are real. But the key to success will be political will and the political arrangements that are put in place to overcome those difficulties.
Critics fear, for example, that a tight monetary policy pursued by the European central bank would cause intolerable strains in regions or countries of the union already suffering from high unemployment. National governments, unable to reduce interest rates and with limited scope to increase their deficits, would have little to offer an electorate clamouring for reflation. In such circumstances it has been argued, political unrest might even break up the union.
In countries such as the US with a large central budget, such imbalances are alleviated by transfers from prosperous areas, which pay more taxes, to poorer areas, which receive more benefits. The EU's "federal" budget is much too small to make significant adjustments, and that is how it should stay.
But fiscal transfers are not the only way of easing strains within the union. A more effective remedy is the adoption of greater flexibility in prices and labour markets. Such measures are likely to be painful. For this reason, governments that move into Emu will have to give a very strong political lead on the need for change.
It is true that EU governments have so far been slow to tackle the rigidities in their economies. But they are showing remarkable political unity on the challenges of the moment: meeting targets for deficit reduction and setting up the rules for Emu. The fact that member states as different as Germany and Italy are prepared to take tough domestic measures in the common pursuit of Emu shows how strong the political imperative is.
Moreover, to characterise this process only in negative terms - as an abandonment of sovereignty - misses the point. For in co-ordinating economic policy, governments are pursuing interests that all agree to be desirable in their own right. These are sound money, low inflation and prudent fiscal policies. Whatever the arguments about the detailed targets set by Maastricht, the broad objectives are nowhere in serious dispute.
Britain, it is said, could pursue such goals outside Emu as well as in. Unfortunately, the UK's depressing record of rising wages and prices followed by devaluations is not encouraging. A European central bank dedicated to price stability could hardly do worse than the peaks of 11 per cent inflation and more than 3m jobless reached during the last boom and bust economic cycle. The real economic question for Britain is whether it is at last becoming serious about financial discipline.
The immediate political decision the UK faces is different: not whether or in what circumstances Emu might be a good thing, but whether to join an arrangement which may well be a done deal on January 1 1999.

Loss of influence

Nor is this any longer a choice about joining a small group of countries within Emu. It now appears that almost all current EU members are determined to qualify for membership. It is unlikely that they will all succeed by 1999, but they could do so a few years later. In such circumstances, life on the periphery could be isolated and uncomfortable.
The UK would probably pay a price in higher interest costs on its borrowing; it would still be subject to most of the economic disciplines applying to Emu members; on the outside, its exchange rate would still be constrained by other members. Its voice in advancing other issues, like the single market, would be weakened.
It might retain some flexibility over interest rates. But this would be limited and might not be worth the cost in terms of lost influence over the institutions and rules of Emu - especially if the UK changed its mind and joined several years later.
Many big questions remain to be settled about how monetary union will work in practice. These include issues such as the formulation of exchange rate policy for the euro, the relationship between national central banks and the new European central bank, and the relationships between the bank and politicians. There are also legitimate concerns about the way in which some countries are trying to meet the Maastricht criteria by statistical sleight of hand. Clearly, Emu can work only if would-be members are fully committed to long-term economic discipline.
None of these questions, however, can justify continued indecision. What the UK badly needs is a serious debate about Emu. Thereafter, a decision to join would require broad consent by the electorate. Since the main parties will be doing their best to avoid the issue in the run up to the general election, this means that a referendum would be essential.
Like all great enterprises, Emu might fail. The risks are substantial: politicians across Europe may be unwilling to face up to the hard decisions that EMU will require. But there are big risks in staying out as well. The prize is a Europe of sovereign states bound together politically by shared economic interests; an open market, financial stability and mutual support. So provided that the entry conditions are right, Europe's history and Britain's future require the same answer. In principle, it must be Yes.



France: striking a better balance

Sugar for the Emu pill

A cautious Alain Juppé is administering political morphine as he attempts to restructure the French economy, says David Buchan

France's leaders are having to turn themselves into specialists in managing pain - the pain of fitting their country for European monetary union and keeping it there.
They have to achieve this in a way that is tolerable to the French people and does not unsettle the government in elections less than 18 months away.
The first test this autumn of their skill will come tomorrow, when Mr Alain Juppé, the prime minister, confronts his increasingly unruly backbenchers in the parliamentary debate on the 1997 draft budget. Then, on Thursday, civil service unions have called a one-day strike that will be joined by railwaymen, power workers and some doctors.
Teachers went on strike for a day last week. Some 20,000 defence industry workers held a protest march in Paris on Saturday. And union leaders are mulling over more general action over the next month.
At first sight, this looks alarmingly like the prelude to the public sector chaos which Mr Juppé's welfare and rail reform plans caused late last year. The prime minister's advisers - aware of their country's tradition of insurrection on the streets - do not rule out a repeat of 1995. But the nature of the struggle for reform of France's state machine and economy has changed over the past year.
What the French call the *rapport des forces* has altered. President Jacques Chirac has repeatedly confirmed his conversion a year ago to the "absolute" priority of cutting deficits as the prerequisite for eventual growth and job creation. Last week he was again telling his cabinet to "hold fast" and show "serenity and determination" in carrying out deficit reduction.
At the same time, Mr Juppé,

disciplined within the majority.
For the moment, therefore, the combination of a more resolute president and a less headstrong prime minister makes a better balance at the top, and presents the unions with a more formidable opponent this year.
It is certainly true that rising unemployment, which hit a record 12.6 per cent in August, has created a climate of growing discontent. Insee, the official statistics agency, has forecast the second half of this year will see "no significant improvement" in unemployment.
In this context, recent announcements of job cuts by private and state companies have sounded like death knells among the local communities affected.
The deepest discontent is so far confined to regional pockets of unemployment, which the unions, even the pro-communist CGT federation, admit are proving hard to "federate" into a national protest movement. However, the government is aware that any mistake on its part - particularly in handling reforms in the SNCF railway network and the education ministry - could provide the spark for a nationwide outburst.
Another change in France's economic prospects and in the nature of its policy debate stems from the fall in interest rates. Compared with last October, when Mr Chirac announced his Damascene conversion to deficit-cutting, three-month rates have fallen from 7.35 per cent to 3.56 per cent, and 10-year rates have dropped by 140 basis points to about 6 per cent, the same level as in Germany. The franc, too, is strong.
The view that high interest rates are at the root of France's economic problems by discourag-

ing investment and raising unemployment is contested by the Bank of France. It holds that interest rates are only one of many factors involved in investment decisions and that 80 per cent of France's unemployment has structural causes. Nevertheless, Mr Jean-Claude Trichet, the Bank of France governor, chose the moment of a rate cut last month to tell companies: "Now is the time to invest."
In fact, the latest Insee report gives companies some demand-related reasons to start spending on new plant and equipment. It forecasts this year will see a 2.5 per cent increase in household spending and a 1.8 per cent rise in demand for export goods. The agency predicts real GDP will have risen by 1 per cent in the third quarter compared with the previous three months, and will rise a further 0.4 per cent in the final three months. This means that at the end of the year the economy will be expanding at an annual rate of about 3 per cent.
Interest rate falls are, of course, fragile, but there does seem to be growing acceptance and relief that France and Germany are at last on the same cycle, with roughly the same inflation and level of economic activity. Therefore, monetary policy east of the Rhine is now more likely to be appropriate for west of the Rhine.
This is why French proponents of *l'autre politique* - Paris-speak for a policy of unhooking the franc from the D-Mark and sharply reducing French interest rates - have gone fairly silent. It is also one reason why the government is confident that if France fails to get the 2 per cent deficit target it needs next year to hit the 3 per cent deficit target it will not be alone. Germany will be in the same position.
But any change in France's policy mix from tight money to a

tight budget means the government can no longer use the Bank of France as a scapegoat for popular discontent. Such a change will also expose new problems - and about time, too, in the view of Mr Christian de Boissieu, a Sorbonne economics professor. "Since 1992, too much has been imputed to interest rates, and this has prevented other structural problems being discussed."
Biggest of all these is cutting back the French state, the 45 per cent of GDP which the central, local and welfare administrations gobble up in taxes, and the total of 5m people employed in the public sector. The Juppé government wants to use the bait of lower taxes to try to persuade its electorate to accept a slimmed-down state. It will not be easy.
The French simply do not equate soaring taxes with expanding bureaucracy. Overwhelmingly, the French think they are over-taxed. Yet opinion polls show they rate improvement in public finances as a far lower priority than improvement in their own purchasing power.
Gingerly, the government has made a start for 1997, planning to squeeze defence, target job and housing subsidies more carefully, and switch teaching jobs from primary schools to universities. The effort will have to go on once France is inside Emu.
To fulfil Germany's desire for a "stability pact" to anchor Emu in place, France plans to reduce its overall deficit to 1.5 per cent by 2001. An awkward step along this path of fiscal virtue will come in 1998. Without any windfall from France Télécom, the government is planning only a 0.75 per cent rise in nominal public spending, and thus a probable cut in real terms - and that in an election year. No wonder Mr Juppé's backbenchers are restive.

OBSERVER

Arrows point right way

Rothmans-Williams-Renault team owner Frank Williams swears that he won't ever tell why he fired the crazy-eyed Englishman who yesterday won the 1996 Formula One grand prix world championship. On the podium at Suzuka, half-drowned under a shower of Moët from outgoing champion Michael Schumacher, Damon Hill was past caring.
The first grand prix driver ever to follow in the wheeltracks of his father to a F1 world championship - *père* Graham won twice - the 36-year-old Londoner is also looking increasingly smart off the track. His hook-up with the lacklustre Arrows team at the end of September had initially been greeted as a frightful come-down. But it is already clear that the doubters had reckoned without Tom Walkinshaw, the dour Scottish entrepreneur whose TWR engineering company acquired Arrows earlier this year.
Before signing, Hill had seen TWR's extensive Oxfordshire engineering headquarters and learned just how deeply TWR's tentacles have spread into advanced consultancy work for the motor industry at large, not just the narrow world of

Lacoste's legacy

The little green crocodiles on Lacoste sports shirts had reason yesterday to shed real tears on news of the death at the age of 92 of their creator, René Lacoste, the veteran French tennis player turned businessman.
The last survivor of the so-called Four Musketeers, Lacoste clocked up the French, British and US tennis championships during the 1920s, and was dubbed "the crocodile" for his relentless pursuit of his prey on the courts.
Quitting professional tennis in 1929 for reasons of health at the tender age of 25, he went on to create the sports clothes business which his son, Bernard, has subsequently diversified into tennis racquets and automatic ball-throwers. Had he not fallen ill, he might never have

Sad reflections

Is France cracking up completely? No sooner does the seven-year-old Bastille opera put up netting to prevent its marble cladding falling onto passers-by than the problem spreads to the private sector and Société Générale. Less than a year after moving into its resplendent FFR7bn headquarters in La Défense, France's flagship private sector bank is sporting cracks across the glass walls of its elevators. The result of its corporate financiers banging heads during late-night negotiations, perchance?
No, says the bank, the trouble is unexpected pressure on the lifts, which has unleashing a heated argument between suppliers and insurers as to who should foot the bill.
Election night in New Zealand usually throws up a fair smattering of hyperbole and humour. But this time the uncertainties of MMP - the new German-style proportional representation system - seemed

Oh rats

Some of the world's most avid Internet users have been stranded as a result of the activities of a couple of clever rats. The rodents, now deceased, outdid two-legged hackers by darkening the computer screens of tens of thousands of Stanford University students and faculty. Their gnawing also severed Internet links to, among others, some 400 Silicon Valley companies and 50,000 Internet users at the University of California Berkeley campus. The prime suspects in a power failure at Stanford that also affected one of the major hubs of the Internet were found "fried" inside an electrical switching cabinet that links the university to its private generating plant.

Financial Times

100 years ago

Corruption in Italy Rome: The "Opinion" today says "If current reports are true, the preliminary inquiries of the inspectors sent by the Royal Commissioner to Sicily have revealed a deficit of 400,000 lire in the funds of the communal administration of Palermo. Charges are alleged to have been brought against the Treasurer. The method of inspection and inquiries made under the present Cabinet have disclosed almost universal corruption and culpable neglect. The public service in all departments was being gradually corrupted through the continual introduction of politics in the administration."

50 years ago

U.S. Newsprint Prices O.P.A. is not to decontrol newsprint at present, but instead has granted an increase in the manufacturers' ceiling price of \$10 a ton in order to assure that United States publishers continue to receive the maximum possible shipments. The agency explained that prices for newsprint are being increased to prevent a possible diversion to other markets of the newsprint now being shipped to the United States.

COMPANIES AND FINANCE: UK

Brands Hatch sets sights on 59% rise

By David Blackwell

Brands Hatch Leisure, the owner of four motor racing circuits that is coming to market at the end of this month, is forecasting a 59 per cent rise in operating profits this year.

It is planning to raise up to £10m, partly to cut the £14m of debt following the acquisition of its freeholds in August, and partly to invest in upgrading facilities at the four circuits.

Baring marks recovery with Foy appointment

By Nicholas Denton

Employed at McKinsey since 1968, Mr Foy was head of its UK consumer goods practice and managing director of the firm's UK business before taking on the role of senior director. He also sits on the board of P&O, the ferry company.

Maturity prompts spreading of wings

Christopher Brown-Humes on the rationale behind Hermes' link with Liberty International

What do you do if you are a large in-house fund manager running mature schemes and you want to spread your wings?

Hermes, the fund management subsidiary of the British Telecom Pension Scheme, the UK's largest occupational pension scheme, has faced this dilemma for some time.

organisation. Costs are paid by the BTSPs to the extent that they are not defrayed by income.

Southern Water to scale down overseas ventures

By Jane Martinson

Southern Water is to scale down its overseas ventures as part of a strategic shift towards delivering cost savings in its core utility business.

supply project in Oman. Mr Mike Kinski, chief executive, said: "There is going to be a change of focus from overseas projects to delivering investment and improvements in the south western area."

Virgin and BA ponder move for Air Liberté

By Jane Martinson

Virgin and British Airways were yesterday considering whether to commence battle for the remnants of Air Liberté, the French regional carrier, before today's bid deadline.

market. The attractions of Air Liberté include its take-off and landing slots at Orly airport, south of Paris.

FUND MANAGEMENT

Goldman Sachs, the US investment bank, while Foreign & Colonial has moved to take over ESN Pension Management, the investment management of the electricity industry pension scheme.

"Hermes is large enough for the foreseeable future to be able to offer professional investment management, but in the longer term we might find it difficult to invest in the people and systems necessary to sustain an effective investment management organisation," says Mr Ross Goobey.

He also stresses that the group will do nothing that risks damaging its existing client base. "If you go for growth, you can take your eye off the investment ball," he says.

Advertisement for East Japan Railway Company (JR-East) U.S. \$800,000,000 7 3/4 per cent. Bonds due 2006. Issue Price 99.822 per cent. Includes logos for IBJ International plc, Goldman Sachs International, Nomura International, Merrill Lynch International, DKB International, Dresdner Bank - Kleinwort Benson, Fuji International Finance PLC, Lehman Brothers, Morgan Stanley & Co., Nikko Europe Plc, Paribas Capital Markets, SBC Warburg, Tokyo-Mitsubishi International plc, UBS Limited, Yamaichi International (Europe) Limited.

IMI S.p.A. advertisement regarding Article 6 of Consob Regulation approved with the resolution no. 8195 of 30 June 1994. Includes contact information for Istituito Mobiliare Italiano S.p.A.

Notice to Holders of Thermo Ecotek Corporation Non-Interest Bearing Convertible Subordinated Debentures due 2001. Includes details on conversion and interest.

CONTRACTS & TENDERS advertisement for COPEL. Includes details for Salto Caxias Hydroelectric Power Station International Bidding C-306.

NOTICE OF PREPAYMENT advertisement for Johnson and Johnson Italian Lire 150,000,000,000 8.82% Notes due 2003. Includes details on interest and principal.

SEB advertisement for Calor Rowenta SEB TEFAL NINE-MONTH CONSOLIDATED SALES. Includes a table of sales figures by region.

U.S. \$100,000,000 advertisement for Takugin International (Asia) Limited Guaranteed Floating Rate Notes due 1997. Includes details on interest and principal.

Large vertical advertisement on the right side of the page, partially cut off, with text including 'and Interfamily', 'Norst looks for sa', and 'DIVESTITURE OF ENTERPRISE'.

Handwritten Arabic text at the bottom center of the page: 'مكازم الأعمال'

THE WEEK AHEAD

DIVIDEND & INTEREST PAYMENTS

Table listing dividend and interest payments for various companies and sectors, including dates and amounts.

UK COMPANIES

Table listing UK companies, their board meetings, and company meetings, including dates and locations.

FTid - The Internet Directory. The following companies want you to know that you can find out more about them by simply looking them up on the World Wide Web.

BLACKWELL'S BOOKSHOPS. The world's finest academic bookseller. Over 250 000 titles immediately available.

net names. Have you registered your company, trade and product names around the world? 300,000+ names are already registered, are yours?

FLEMINGS. The complete solution for the internet. JSB The Internet Company.

Business Meetings. Access to the World's Business Intelligence.

www.intranet.co.uk. The Complete Solution for the Internet.

HOTEL & TRAVEL INDEX ONLINE. REED TRAVELER.NET. THE ONE-STOP SOURCE FOR ACCOMMODATIONS INFORMATION WORLDWIDE.

UNIVERSAL MBRM ADD-ONS. LAUNCH OF VERSION 7.3.

Every week on Monday the FT gives you the chance to advertise your internet site to the FT's influential readers in 160 countries worldwide.

down, come to the world upside. The world is turning upside down.

Internet Directory Information. An economical email-to-fax service with international broadcast capabilities.

Unipower. Local News/Internet/Intranet. We can design, manage and host your site using the power of HotBot/Hotmail.

Starling Publishing, Mint House, 77, Mansell Street, E. 10.00. BOARD MEETINGS: Finals: Albert Fisher Gleason (M.J.) WEW Group

THE WORLD'S MOST ADVANCED MOBILE COMMUNICATIONS. The NEW Nokia 9000 Mobile GSM personal communicator.

The Business Forum. Home of CBI, Chambers of Commerce, Best Practice.

GAM. For information on GAM's unit trusts and unit funds see http://www.ukinfo.gam.com

FRIDAY OCT 18 COMPANY MEETINGS: Seasoned Alliance Tst, Meadow House, 64, Reform Street, Dundee, 12.30

Mason. The world's most advanced mobile communications.

Brainsform. The best business solutions.

Demon Internet. net effect. Largest European Internet Service Provider.

ASIAN TELECOMS. Telecommunications in the 21st Century. 28-29 October 1996 Hong Kong. ASIAN TELECOMS presents a concise opportunity to examine the future trends of the telecommunications markets in Asia.

Geneva's Private Bankers. "People say that we live in the past. Well yes, we have been providing for the future by managing investments for 200 years." BORDIER & Cie, DARIER HENTSCH & Cie, LOMBARD ODIER & Cie, MIRABAUD & Cie, PICTET & Cie.

ING BANK
Sou Parceiro em Mercados
Emergentes e de Capitais
ING BARINGS

FINANCIAL TIMES
MARKETS
THIS WEEK

ING BANK
At Home in Emerging
and Capital Markets
ING BARINGS

Global Investor / Richard Waters in New York

Dow: a case for 7,000 in '97?

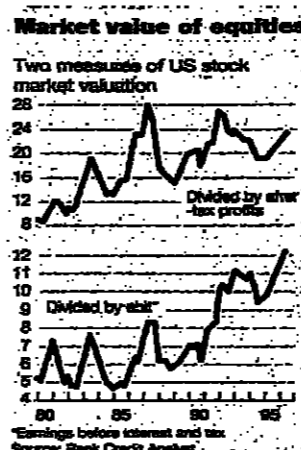
It may seem premature. After all, the Dow Jones Industrial Average nudged only briefly above 6,000 last week. And its 50 per cent rise in just a year and a half inevitably prompts doubts. Can US stocks really have been so undervalued before?

that US bond yields would rise this year as a tight labour market brought higher wages and incipient inflation. The Treasury market, however, has learnt to live with an unemployment rate brushing 5 per cent. Long-term bond yields have bounced between 7.25 and 6.75 per cent for six months now - given the volatile history of the Treasury market in the 1990s, that looks like remarkable equanimity.

Of course, the question that needs to be asked is not whether the Fed will act to raise short-term interest rates: it will, if not later this year then almost certainly early next. The question, rather, is: what will happen when the Fed raises rates, in particular to long-term yields? Will it be 1994 all over again?

And what of the valuation case for stocks? Amazingly, after such a rise in share prices, it can still be made - though it is difficult to project a further expansion in the earnings multiple on US stocks from here. Wall Street is expecting earnings of companies in the Standard & Poor's 500 to rise about 8.5 per cent this year - less than half the growth rate of 1995. Yet even with this slowdown, the S&P500 is trading at 17 times 1996 earnings, hardly an outrageous level.

interest bills. As the chart illustrates, strip these factors out and the rise in price/earnings multiples looks more dramatic. That lends weight to the case for a slowing of corporate profits growth. However, earnings are still expected to rise nearly 15 per cent next year, according to First Call. Even allowing for the usual scaling back of estimates, this suggests further steady gains. For the Dow to reach 7,000 may prove a stretch. But why should a 10 per cent advance in earnings not translate into a similar advance in shares?



Total return in local currency to 10/10/96 table with columns for US, Japan, Germany, France, Italy, UK and rows for Cash, Bonds 3-5 year, Bonds 7-10 year, Equities.

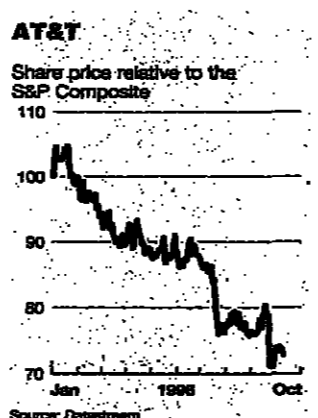
COMPANY RESULTS DUE

Analysts look for 83 cents at AT&T

AT&T, the US telecoms group, will on Wednesday report a third-quarter earnings per share of about 83 cents, analysts predict. Last month, Mr Robert Allen, chairman, warned that third-quarter earnings could be as much as 10 per cent below the 92 cents per share for continuing operations previously projected by analysts.

restated results to reflect the changes for the year ago period, it said. Chrysler and Ford are expected to post solid third-quarter gains while General Motors - facing a potential US backlash from Canadian strike action - was expected to grow steadily, analysts said.

Intel: The world's largest semiconductor supplier is expected to reinforce its market dominance with stronger third-quarter earnings per share today. Intel is expected to report earnings per share of \$1.23 for the quarter, compared with \$1.02, according to analysts. Merck: The largest US pharmaceutical group, is expected to lead an upbeat set of third-quarter earnings from groups in the sector, which were forecast to have seen robust unit volume in the period, analysts said.



although analysts said revenues continue at buoyant levels. Analysts expect third-quarter earnings per share of \$1.48, compared with \$1.36 a year ago. Compagnie de Suez: The French holding company, will on Wednesday report a

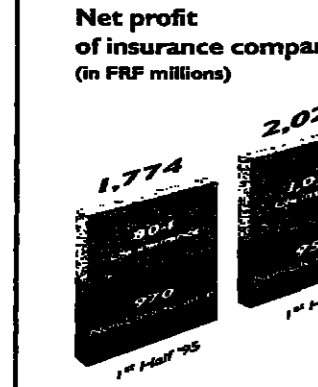
year profits of \$172m-\$180m (\$281m) on Wednesday. The figures are likely to have been flattered by a \$14m gain on property disposals, but should also show strong organic growth in all three divisions. Analysts are forecasting a dividend of 16p (14.4p) for the year. Highland Distilleries is expected to report today a 5 per cent dip in pre-tax profits to \$41m (\$64m) for the year to August. Operating profits from Famous Grouse, its dominant brand, will be off about 4 per cent to \$18.5m because of pricing pressures in the UK and some other markets. The small profits from other brands will be up strongly. Earnings per share should be flat at about 22p and the total dividend up about 6 per cent to 8.3p. Investors will be keen to hear more about Christmas

These, of course, are only declarations of intention: they depend on a continuation of strong corporate liquidity over the next two to three years. But they give a clear indication that many US companies plan to raise shareholder value in one of the most direct ways available to them. The bears have not been

silenced for good. Stephen Roach, for one, continues to see higher inflation and interest rates ahead, though further off than he had once thought. Of the stock market's next rally, he says: "It will be short and sweet - and end painfully." Perhaps, but just for now, try to forget the pain. Consider instead: how short and how sweet?

Compiled by AFX News

1996 First Half Results UAP back to profit



"UAP is back to profit and for the first time in several years, the improvement of our operational results can be reflected in our consolidated net profit. This is the result of the implementation of recovery measures which we announced at the beginning of the year. This effort will be pursued relentlessly. Our financial structure is improved and the conditions to durably enhance operational profitability are set; our management costs are decreasing; we are pursuing the modernisation and strengthening of our sales networks to enhance customer loyalty and promote profitable business growth. In current financial market conditions, UAP Group should generate results in the second half in line with the first half, thus confirming a durable return to profitability."

Consolidated premium income: FRF 86.4 billion
Consolidated premium income for the first half of 1996 was slightly higher than the provisional figure released in August: FRF 86.4 billion, up 6.6% from the first half of 1995, or +5.0% on a constant consolidation scope and currency basis. The share of premium income generated outside France was 65.5%.

Net consolidated profit of insurance companies: FRF 2,029 million
Net consolidated insurance profit was FRF 2,029 million in the first half of 1996, up 14.4% from FRF 1,774 million in the first half of 1995, despite a strong reduction in realised capital gains. This profitability improvement was experienced throughout the Group profit centres, despite contrasted situations in their different markets.

Table showing Contribution of the main profit centres to net consolidated profit with columns for Life insurance, Non-life insurance, and Insurance Total for 1995 and 1996.

Net consolidated Group profit: FRF 860 million (+6.7%)
Banque Worms increased its banking income by 7% (FRF 558 million) over the first half of 1995, while its costs remained stable. Its contribution to consolidated net results was a FRF 26 million loss, vs. -FRF 63 million. Total operational Group profit was FRF 2,129 million in the first half of 1996 vs. FRF 1,803 million in the first half of 1995 (+18%).

UAP Financial Communications: 9 place Vendôme, 75052 Paris Cedex 01, France - Tel: 33 1 42 86 76 02

INTERNATIONAL EQUITIES By Richard Lapper and Stephen Fidler

Cantv is key to Venezuela's standing

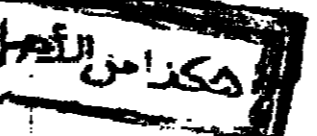
Privatisations in Venezuela have a history of going awry but government ministers visiting London last week to promote the country's credentials among European institutions are insisting that this time things will be different. At the top of their agenda - and of greatest immediate interest to the international new issue market - are plans to sell a 40 per cent stake in Cantv, the telephone utility.

scale could be dwarfed by the rush of new bank issues from the region, according to recent research by Salomon Brothers. Salomon expects Latin American banks to tap the domestic and international capital markets for about \$2.7bn in the next 12 months. Chilean banks are likely to sell approximately \$600m of equity, mostly in the form of secondary shares, while Argentine and Brazilian banks will raise up to \$600m. Banks from Peru and Mexico will complete the remainder of the issues. Salomon says the largest transaction will be the privatisation of Banco Hipotecario in Argentina, which might exceed \$500m in its first tranche. The central banks of Chile and Brazil are likely to divest their stakes in Santiago O'Higgins and Umbanco respectively for about \$400m each.

FT/S&P ACTUARIES WORLD INDICES

Table showing FT/S&P Actuaries World Indices with columns for National and Regional Markets, and DOLLAR INDEX, listing various countries and their respective indices.

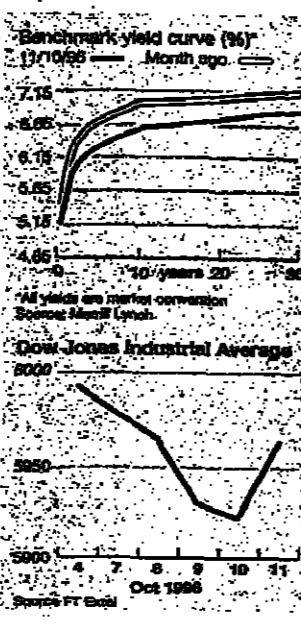
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MARKETS: This Week

NEW YORK By Edward Waters

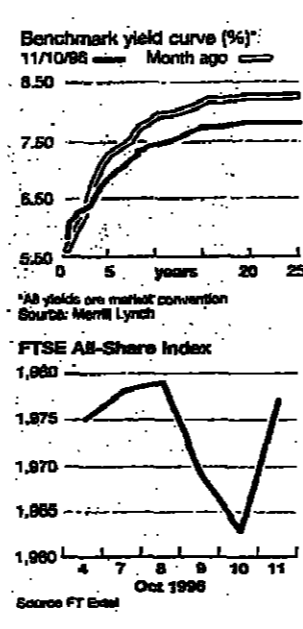
The US financial markets will get off to a slow start this week with today's Columbus Day holiday...



Other releases, however, are expected to confirm the slowing pace of industrial expansion...

LONDON By Steve Thompson

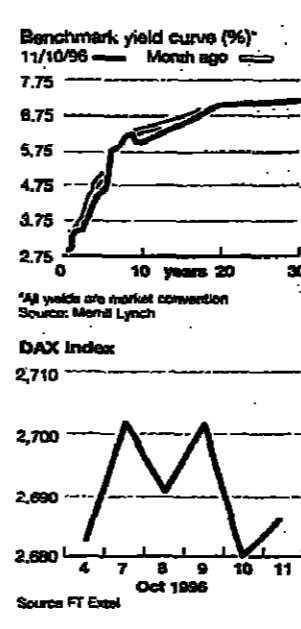
There is plenty of economic data due this week to keep the markets bubbling. However, although UK equities will not want to absorb any more bombshells...



Monday brings producer price data for September. With economists forecasting little or no change in factory gate prices...

FRANKFURT By Andrew Fisher

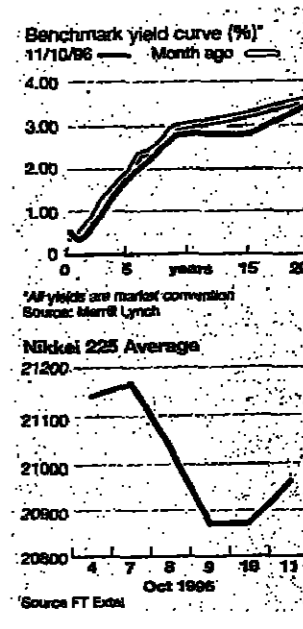
As each item of US economic data comes along, German markets develop a fit of nerves or breathe a sigh of relief...



The stock market continued last week to move narrowly around the 2,700 level recently reached by the Dax index...

TOKYO By Gwen Robinson

Markets are likely to stay quiet until the October 20 general election for parliament's lower house. Investors will switch their focus to the make-up of the new government...



In the bond market, also, political uncertainty in the absence of fresh incentives is likely to keep prices of long-term Japanese government bonds around their current levels.

COMMODITIES By Richard Mooney

Traders look for copper key

At the London Metal Exchange this week, traders and analysts will be anxious to get a better idea of just what is happening to copper stocks.

per price of \$75. The reason, some analysts say, is that recent stocks movements have simply reflected metal being "shuffled around the system"...

OTHER MARKETS Compiled by Jeffrey Brown

PARIS

Paris closed on Friday within 14 points of its year's peak ahead of a week which threatens a public sector strike but may provide a further trim in interest rates.

MILAN

Olivetti is unlikely to escape the spotlight this week as its management continues with plans to sell off the ailing personal computer division...

AMSTERDAM

A stream of takeover and deal-making stories has helped underpin Amsterdam in recent sessions and corporate news looks like staying in the driving seat.

ZURICH

This week's hot news from Zurich, which edged into new high ground last week, centres on third-quarter sales figures from the heavy-weight drugs and chemicals sector...

HONG KONG

The general consensus among brokers is that Hong Kong could face a period of profit-taking after last week's new all-time peak for the Hang Seng index.

CURRENCIES By Richard Adams

Latest US data may prompt change of mood

What a difference a fortnight makes. Three weeks ago, the international currency markets were agog with speculation over the timing of a rise in US interest rates by the Federal Reserve.

by data suggesting the US economy has slowed considerably in the third quarter. The previous week's falling non-farm payrolls and rising unemployment were followed on Friday by evidence of shrinking retail sales and industrial output.

If it did, the market's mood may switch from expecting the Fed to make its next interest rate move upwards, to looking for rates to move lower next year.

The UK will see the producer price index today, followed by the government borrowing requirement and unemployment for September and average earnings for August on Wednesday.

The meeting of EU finance ministers in Luxembourg today may refer to membership of the European exchange rate mechanism: look out for sentiment in favour of Italy and Finland.

FT GUIDE TO WORLD CURRENCIES

Table with columns for Country, Currency, Bid, Offer, Spread, etc. listing various global currencies and their exchange rates.

CROSS BORDER M&A DEALS

Table with columns for Bidder/Investor, Target, Sector, Value, Comment. Listing various M&A transactions.

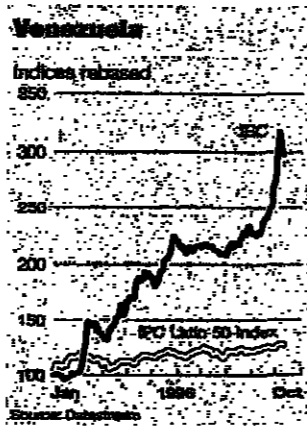
Advertisement for Management Centre Europe (MCE) with navigation theme and contact information.

MARKETS: This Week

EMERGING MARKETS By Ray Gault

Buyers rush back to Venezuela

Considered by many a basket case only a few months ago, Venezuela's perspectives of economic growth have reversed, and the Caracas stock exchange in the last 12 months has been catapulted from one of Latin America's worst to its best performing market.



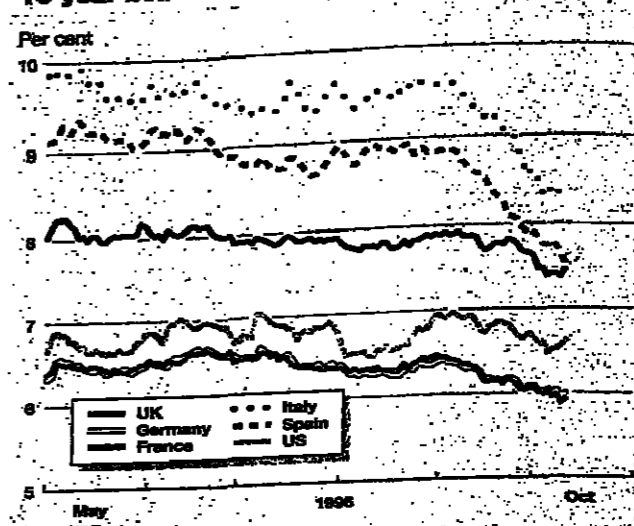
Investors sensed an opportunity. Assured by Mr Michel Comandus head of the International Monetary Fund, that Venezuela was on track to economic recovery, portfolio managers went overweight on Venezuela.

INTERNATIONAL BONDS By Conner Middelmann

Jitters creep into emerging market rally

Emerging market bonds have staged a dizzying rally this year, and although few observers can offer concrete reasons why the ascent should stop, some are now feeling distinctly queasy.

10-year benchmark bond yields



INTEREST RATES AT A GLANCE

Table showing interest rates for various countries (USA, Japan, Germany, France, Italy, UK) across different terms (Discount, Overnight, Three-month, One year, Five year, Ten year).

ING BARING SECURITIES EMERGING MARKETS INDICES

Table with columns for Index, Week on week movement, Month on month movement, and Year to date movement. Lists indices for World, Latin America, Europe, Asia, and Africa.

NEW INTERNATIONAL BOND ISSUES

Table listing new international bond issues with columns for Issuer, Amount, Maturity, Coupon, Price, Yield, Launch, and Book-runner.

Advertisement for Sime Darby Berhad, including a notice of annual general meeting with details on date, location, and agenda items.

Continuation of the 'NEW INTERNATIONAL BOND ISSUES' table, listing various international bond offerings.

Advertisement for 'The Financial Times plans to publish a Survey on Belgium' with contact information for Melanie Miles and Karl Loynton.

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Melanie Miles on +44 0171 873 3308 or Karl Loynton on +44 0171 873 4874

BY ORDER OF THE BOARD Martin G. Manen Group Secretary

Notice: A member of the Company entitled to attend and vote at this meeting is also entitled to appoint one or more proxies to attend and vote in his stead.

FT Surveys

CURRENCIES AND MONEY

POUND SPOT FORWARD AGAINST THE POUND

Table with columns: Oct 11, Closing mid-point, Change on day, Bid/offer spread, Day's mid, One month, Three months, One year, Bank of England index.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Table with columns: Oct 11, Closing mid-point, Change on day, Bid/offer spread, Day's mid, One month, Three months, One year, J.P. Morgan index.

WORLD INTEREST RATES

Table with columns: October 11, Over night, One month, Three months, Six months, One year, Lomb. Inter., Dis. rate, Repo rate.

CROSS RATES AND DERIVATIVES

Table with columns: Oct 11, BPF, DFC, FFR, DM, SE, L, FI, NCR, Es, Pta, SKr, SFR, C, CS, S, Y, Esc.

FT GOLD MINES INDEX

Table with columns: Oct 11, % chg, % of gold, % of gold, % of gold, % of gold, % of gold, % of gold.

LONDON RECENT ISSUES: EQUITIES

Table with columns: Issue, Amt, Mkt, 1996, Close, Price, Net Div, Gr, P/E.

UK INTEREST RATES

Table with columns: LONDON MONEY RATES, Oct 11, Over-7 days, One month, Three months, Six months, One year.

UK INTEREST RATES

Table with columns: UK clearing bank base lending rate, 5% per cent from June 6, 1996.

BASE LENDING RATES

Table with columns: Bank, Rate, Bank, Rate, Bank, Rate, Bank, Rate.

UK GILTS PRICES

Table with columns: Wt % of Govt, Wt % of Govt, Wt % of Govt, Wt % of Govt, Wt % of Govt, Wt % of Govt.

STOCK INDICES

Table with columns: Oct 11, Oct 8, Oct 7, High, Low, FTSE 100, FTSE 250, FTSE 350.

STOCK INDICES

Table with columns: Oct 11, Oct 8, Oct 7, High, Low, FTSE 100, FTSE 250, FTSE 350.

NOTICE OF SPECIAL REDEMPTION

To the Holders of: Stirling Restructured Obligations Backed by Senior Assets 2 (ROSA 2) B.V., Secured Senior Floating Rate Notes due January 15, 2002.

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Tropical hardwood trees are more valuable to loggers than trees in the rainforest. High prices for hardwoods ensure that loggers have no qualms about destroying trees that stand in their way.

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OFFSHORE COMPANIES

Established in 1976, OFFSHORE has over 750 ready-made companies available. For 100 page FREE colour brochure contact:

STOCK INDICES

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LONDON SHARE SERVICE

ALCOHOLIC BEVERAGES

Table listing companies in the Alcoholic Beverages sector with columns for company name, price, and change.

BANKS, MERCHANT

Table listing companies in the Banks, Merchant sector with columns for company name, price, and change.

BANKS, RETAIL

Table listing companies in the Banks, Retail sector with columns for company name, price, and change.

BREWERIES, PUBS & REST

Table listing companies in the Breweries, Pubs & Rest sector with columns for company name, price, and change.

BUILDING & CONSTRUCTION

Table listing companies in the Building & Construction sector with columns for company name, price, and change.

BUILDING MATS. & MERCHANTS

Table listing companies in the Building Mats. & Merchants sector with columns for company name, price, and change.

CHEMICALS

Table listing companies in the Chemicals sector with columns for company name, price, and change.

CHEMICALS - Cont.

Table listing companies in the Chemicals - Cont. sector with columns for company name, price, and change.

DISTRIBUTORS

Table listing companies in the Distributors sector with columns for company name, price, and change.

DIVERSIFIED INDUSTRIALS

Table listing companies in the Diversified Industrials sector with columns for company name, price, and change.

ELECTRICITY

Table listing companies in the Electricity sector with columns for company name, price, and change.

ELECTRONIC & ELECTRICAL EQPT

Table listing companies in the Electronic & Electrical Eqpt sector with columns for company name, price, and change.

ENGINEERING, VEHICLES

Table listing companies in the Engineering, Vehicles sector with columns for company name, price, and change.

EXTRACTIVE INDUSTRIES

Table listing companies in the Extractive Industries sector with columns for company name, price, and change.

ELECTRONIC & ELECTRICAL EQPT - Cont.

Table listing companies in the Electronic & Electrical Eqpt - Cont. sector with columns for company name, price, and change.

ENGINEERING

Table listing companies in the Engineering sector with columns for company name, price, and change.

ENGINEERING - Cont.

Table listing companies in the Engineering - Cont. sector with columns for company name, price, and change.

ENGINEERING - Cont.

Table listing companies in the Engineering - Cont. sector with columns for company name, price, and change.

ENGINEERING - Cont.

Table listing companies in the Engineering - Cont. sector with columns for company name, price, and change.

ENGINEERING, VEHICLES

Table listing companies in the Engineering, Vehicles sector with columns for company name, price, and change.

EXTRACTIVE INDUSTRIES

Table listing companies in the Extractive Industries sector with columns for company name, price, and change.

EXTRACTIVE INDUSTRIES - Cont.

Table listing companies in the Extractive Industries - Cont. sector with columns for company name, price, and change.

FOOD PRODUCERS

Table listing companies in the Food Producers sector with columns for company name, price, and change.

FOOD PRODUCERS - Cont.

Table listing companies in the Food Producers - Cont. sector with columns for company name, price, and change.

FOOD PRODUCERS - Cont.

Table listing companies in the Food Producers - Cont. sector with columns for company name, price, and change.

FOOD PRODUCERS - Cont.

Table listing companies in the Food Producers - Cont. sector with columns for company name, price, and change.

GAS DISTRIBUTION

Table listing companies in the Gas Distribution sector with columns for company name, price, and change.

HEALTH CARE

Table listing companies in the Health Care sector with columns for company name, price, and change.

HOUSEHOLD GOODS

Table listing companies in the Household Goods sector with columns for company name, price, and change.

HOUSEHOLD GOODS - Cont.

Table listing companies in the Household Goods - Cont. sector with columns for company name, price, and change.

INSURANCE

Table listing companies in the Insurance sector with columns for company name, price, and change.

INVESTMENT TRUSTS

Table listing companies in the Investment Trusts sector with columns for company name, price, and change.

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Advertisement for Rockwell featuring the text 'In the world of automotive component systems, Rockwell is world class.' and the Rockwell logo.

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LONDON SHARE SERVICE

MY TRUSTS SPLIT CAPITAL - Cont. Table with columns for Name, Price, Dividend, and other financial metrics.

LEISURE & HOTELS - Cont. Table with columns for Name, Price, Dividend, and other financial metrics.

PAPER, PACKAGING & PRINTING Table with columns for Name, Price, Dividend, and other financial metrics.

PROPERTY - Cont. Table with columns for Name, Price, Dividend, and other financial metrics.

TELECOMMUNICATIONS Table with columns for Name, Price, Dividend, and other financial metrics.

AM - Cont. Table with columns for Name, Price, Dividend, and other financial metrics.

OTHER INVESTMENT TRUSTS Table with columns for Name, Price, Dividend, and other financial metrics.

LIFE ASSURANCE Table with columns for Name, Price, Dividend, and other financial metrics.

RETAILERS, FOOD Table with columns for Name, Price, Dividend, and other financial metrics.

RETAILERS, GENERAL Table with columns for Name, Price, Dividend, and other financial metrics.

TEXTILES & APPAREL Table with columns for Name, Price, Dividend, and other financial metrics.

AMERICANS Table with columns for Name, Price, Dividend, and other financial metrics.

INVESTMENT COMPANIES Table with columns for Name, Price, Dividend, and other financial metrics.

MEDIA Table with columns for Name, Price, Dividend, and other financial metrics.

PHARMACEUTICALS Table with columns for Name, Price, Dividend, and other financial metrics.

PROPERTY Table with columns for Name, Price, Dividend, and other financial metrics.

TOBACCO Table with columns for Name, Price, Dividend, and other financial metrics.

CANADIANS Table with columns for Name, Price, Dividend, and other financial metrics.

OTHER INVESTMENT TRUSTS Table with columns for Name, Price, Dividend, and other financial metrics.

OIL EXPLORATION & PRODUCTION Table with columns for Name, Price, Dividend, and other financial metrics.

PROPERTY - Cont. Table with columns for Name, Price, Dividend, and other financial metrics.

SUPPORT SERVICES Table with columns for Name, Price, Dividend, and other financial metrics.

WATER Table with columns for Name, Price, Dividend, and other financial metrics.

SOUTH AFRICANS Table with columns for Name, Price, Dividend, and other financial metrics.

LEISURE & HOTELS Table with columns for Name, Price, Dividend, and other financial metrics.

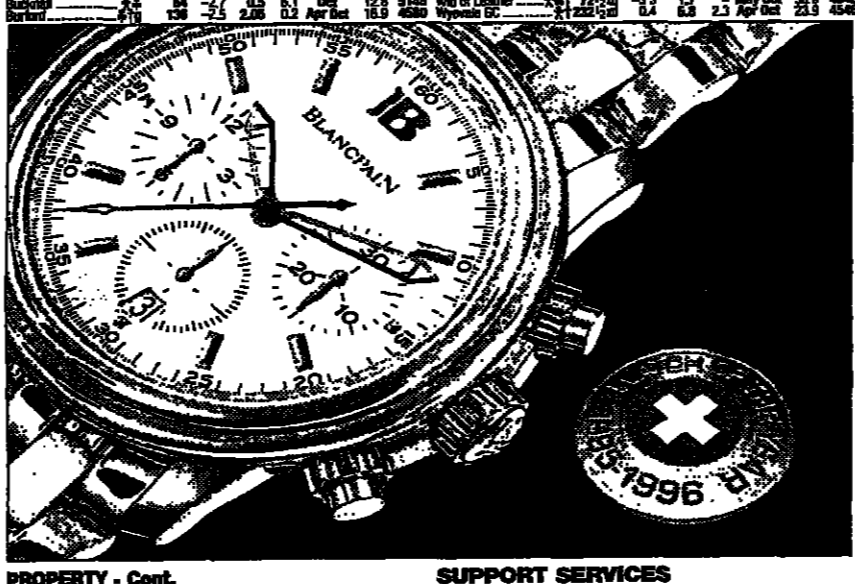
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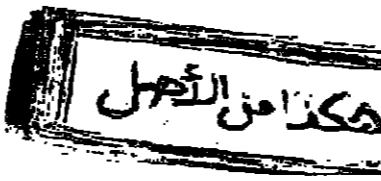
WATER Table with columns for Name, Price, Dividend, and other financial metrics.

SOUTH AFRICANS Table with columns for Name, Price, Dividend, and other financial metrics.



GUIDE TO LONDON SHARE SERVICE. Prices for the London Share Service delivered by Ecol, part of Financial Times Information.

FT Share Service. The following changes have been made to the FT Share Information Service: Additional Daily Great (Food, Food, Healthcare, Ferrowood and Life Numbers).



Offshore Funds and Insurances

FT MANAGED FUNDS SERVICE

FT Cityline Unit Trust Prices: call 0800 430010 and key in a 5 digit code listed below. Calls are charged at 45p/minute cheap rate and 50p/minute at all other times. International access available by subscription only. For more details call the FT Cityline Help Desk on (+44 171) 873 4878.

LUXEMBOURG (SIF RECOGNISED)

Table listing various offshore funds and insurance products, including names like 'LUXEMBOURG (SIF RECOGNISED)', 'LUXEMBOURG (SIF RECOGNISED)', and 'LUXEMBOURG (SIF RECOGNISED)'. It includes columns for fund names, ISIN numbers, and other identifiers.

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LUXEMBOURG (REGULATED)

Table listing regulated offshore funds and insurance products, including names like 'LUXEMBOURG (REGULATED)', 'LUXEMBOURG (REGULATED)', and 'LUXEMBOURG (REGULATED)'. It includes columns for fund names, ISIN numbers, and other identifiers.

OFFSHORE INSURANCES

Table listing offshore insurance products, including names like 'OFFSHORE INSURANCES', 'OFFSHORE INSURANCES', and 'OFFSHORE INSURANCES'. It includes columns for insurance names, ISIN numbers, and other identifiers.

FT MANAGED FUNDS SERVICE

Offshore Insurances and Other Funds

FT Cityline Unit Trust Prices: dial 0891 430010 and key in a 5 digit code listed below. Calls are charged at 45p/minute...

Main table listing various fund categories such as Global Asset Management, Growth Funds, Income Funds, and others. Each entry includes fund name, ticker, and price.

OTHER OFFSHORE FUNDS

Table listing other offshore funds including AT&T, AIA, and various international funds.

Advertisement for FORTE Posthouse. Text: 'Shouldn't your company spend less on hotel bills? If your company books over 250 nights hotel accommodation...'

Footnote and disclaimer text at the bottom of the page.

WORLD STOCK MARKETS

Table of stock market data for Europe, including sections for Austria, Czech Republic, Germany, Italy, Norway, Poland, and Switzerland. Columns include stock names, prices, and percentage changes.

Table of stock market data for Asia, including sections for Hong Kong, Indonesia, Malaysia, and New Zealand. Columns include stock names, prices, and percentage changes.

Table of stock market data for Africa, including sections for South Africa and other regional markets. Columns include stock names, prices, and percentage changes.

Table of stock market data for Australia and other regions, including sections for Australia, New York, and Tokyo. Columns include stock names, prices, and percentage changes.

Table of stock market data for indices and futures, including sections for US Indices, World Indices, and Index Futures. Columns include index names, values, and percentage changes.

Advertisement for Perengine with the headline 'Money Talks In Asia' and 'We speak Asia's language. Perengine is a leader in Asian corporate and project finance, direct investment and asset management.'

Vertical text on the left margin, including 'MONDAY OCTOBER 14 1996' and 'Offshore Insurance Services'.

Vertical text on the right margin, including '33' and various small notices.

NEW YORK STOCK EXCHANGE PRICES

Main table of stock prices with columns for stock name, price, change, and volume. Includes sub-sections for 'NEW YORK STOCK EXCHANGE PRICES', 'NASDAQ LISTED STOCKS', and 'NASDAQ LISTED STOCKS'.

Advertisement for Hewlett-Packard with the slogan 'Reach for it. If the business decisions are yours, the computer system should be ours.' Includes the HP logo and website URL.



هكزان القليل

NYSE PRICES

Table of NYSE stock prices including columns for stock name, price, change, and volume. Includes sub-sections for -V-, -W-, -T-, -U-, and -X-Y-Z-.

NASDAQ NATIONAL MARKET

Table of NASDAQ National Market stock prices including columns for stock name, price, change, and volume. Includes sub-sections for -L-, -R-, -S-, -M-, -F-, -G-, -H-, -I-, -J-, -K-, -L-, -M-, -N-, -O-, -P-, -Q-, -R-, -S-, -T-, -U-, -V-, -W-, -X-, -Y-, -Z-, and -A-.

AMEX PRICES

Table of AMEX stock prices including columns for stock name, price, change, and volume.

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